

USA TODAY
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INQUIRY

TOPIC: THE CIA

William Colby, 63, who was director of the CIA from 1973 to 1976, is the author of *Honorable Men — My Life in the CIA*. He practices international law and has joined the public debate on nuclear arms as an advocate of a freeze on nuclear weapons. Called the CIA's "soldier-priest," Colby was interviewed by USA TODAY's Barbara Reynolds.



William Colby

USA TODAY: Is it a policy of the CIA to lie to the American public as a recent congressional committee implied?

COLBY: No. The CIA does protect some secrets that it is required to protect, but beyond that it does not actively lie to the people.

USA TODAY: What types of things should be kept from the public?

COLBY: We are sworn to protect our sources. A law was passed about a year or so ago that said that anyone who consciously goes out to reveal our sources can be punished. I think that was a very good law.

USA TODAY: When are covert operations against other countries warranted?

COLBY: If there is a country that is important to our country engaged in a conflict between a brutal dictator whom we don't like and a ruthless terrorist who doesn't like us, there is a course of action other than choosing between those two. That is secretly helping some decent, moderate leadership to arise in the country, an alternative to those extremes. Now, that is exactly what we did in the Philippines in the 1950s.

USA TODAY: Are there

times when the overthrow of a government is advisable?

COLBY: I pretty well objected to that in most of the cases that I recall being involved in. I objected to the overthrow of President Ngo Dinh Diem in Vietnam. The value of covert political action is when you are building strength, not when you are trying to attack somebody else.

USA TODAY: Are there other instances of the CIA's deciding to overthrow a government?

COLBY: One time the president of the United States told the director of the CIA to do anything he could to make sure that Mr. Salvador Allende was not ratified as president of Chile in 1970. For six weeks the CIA did what it could to accomplish that and then stopped its program and had nothing to do with the coup three years later, which did overthrow Mr. Allende.

USA TODAY: Didn't congressional investigations show that the CIA was directly involved in that overthrow?

COLBY: It was involved in an attempt in 1970, which involved a bunch of misapprehensions (of Gen. Rene Schneider, commander-in-chief of the Chilean

Agency doesn't lie, just keeps secrets

army). There was a lot of other activity in 1970, which was stopped a very few months thereafter. It didn't go on for very long, and the subsequent coup was conducted by the Chilean military without the CIA involvement.

USA TODAY: Congress has reported that the CIA helped plot the assassination of Belgian Congo leader Patrice Lumumba and conspired with the Mafia in an attempt to kill Fidel Castro. How large a role do assassinations play in CIA activities?

COLBY: None. Under presidential directive, the CIA is specifically directed not to engage in assassination activities. The Senate committee that investigated the CIA in 1975 for a full year looked into every corner of the CIA's activity. It concluded that no foreign leader had been assassinated by the CIA. That was not for lack of trying in Mr. Castro's case. They included a contact with the Mafia. It was stupid. The action of Mr. Lumumba's death came entirely without any CIA connection. This was stopped by the opposition of a CIA officer before the action ever got out of CIA channels.

USA TODAY: What about recent reports that President Reagan wanted to overthrow the government of Surinam and our involvement in coup attempts in Ghana?

COLBY: I don't know anything about that. Charges occur

all the time, partly because of the hysteria with which the subject was discussed here in America in 1975.

USA TODAY: Is it necessary to hide CIA operations in the congressional budget?

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THE CHRISTIAN SCIENCE MONITOR
29 June 1983

CIA-backed rebels scarcely dent the Nicaraguan military machine

By Daniel Southerland
Staff correspondent of
The Christian Science Monitor

Carrizales, Nicaragua

On the mountainous Nicaraguan border with Honduras, life is harsh.

"We are short of food and water," says Cesar Augusto Romero, the barefoot No. 2 in the Nicaraguan militia in this small, dusty settlement.

In its battle with guerrillas backed by Honduras and the United States Central Intelligence Agency, Nicaragua is paying a severe price: Part of it comes in the diversion of scarce resources to this northern border region to support the fighters, and part is to be found in the suffering of thousands of displaced persons, such as Cesar, who have been driven from their homes by the border war.

Nicaragua's Sandinista leaders acknowledge that more than 500 people, many of them militiamen, have been killed in this year alone by the CIA-supported "counterrevolutionaries" — or *contras* as they are known here. Displaced persons now number more than 40,000, evangelical church officials estimate.

But if one leaves aside the toll inflicted by the *contras* in human suffering, it is probably safe to say that the guerrillas have barely dented Nicaragua's Sandinista-led military machine. The fighting against the *contras* has been done mostly by the local militias and by reserve battalions called up from other parts of the country.

The professional soldiers of the Sandinistas' regular, 22,000-man Army — the men with the boots, good weapons, and lots of training — have seen some combat in the region. But most of them have been held in reserve.

Equally important, the vital economic heartland of Nicaragua, the swath of territory stretching along the west coast of the country from the city of León down to Granada, has hardly been touched by the *contras*' attacks. And that is the part of the country where many of the people live and much of the cotton, corn, and sugar is grown.

Some people in the Reagan administration seem to believe that more attacks, combined with unrest inside Nicaragua, will bring the collapse of the Sandinista regime. About five weeks ago, on May 22, administration and congressional officials told the New York Times that CIA Director William Casey and another senior official had predicted that the American-supported Nicaraguan rebels had a good chance of overthrowing the Sandinista government by the end of the year.

Mr. Casey subsequently denied having predicted this, but the story seemed to reveal one line of thinking in Washington. Administration officials speak of the increased strength of the anti-Sandinista guerrillas, placing their total number at 8,000 in the northern, northeastern, and southern regions of the country.

The largest rebel group, led in part by officers of the old Nicaraguan National Guard and known as the Nicaraguan Democratic Force, is said to number about 6,000. Some officials claim that the rebels operating in the southern part of the country, who are led by the renegade Sandinista Commander Edén Pastora Gómez, now number about 2,000. An undetermined number of Miskito Indians are fighting in the northeast, along the Caribbean coast.

But each of the three regions affected by the fighting is relatively lightly populated and among the least important to the country in economic terms.

Because of his personal popularity, Edén Pastora's great hope had been to get Sandinista troops and militiamen to defect to his side. But there is no evidence that they have done so in any significant numbers.

In the drowsy capital of Managua, a city of new parks and old shantytowns, diplomats say that unless there are considerably heavier attacks and much greater disillusionment with the regime, the Sandinistas can probably survive the type of pressure they are now facing for years to come.

Sources close to the *contras* predict that they will break out of the mountains and strike deeper inside the country in the coming months. But for the moment, the amazing thing is how normal much of Nicaragua seems.

A drive northwest of more than 100 miles toward the Honduran border from Managua shows people in some of the country's most important towns and villages doing business as usual. Last year's drought and floods damaged the nation's economy much more than the *contras* have.

A year ago at Nicaragua's main port of Corinto, 80 miles northwest of Managua, a two-motor plane carrying rockets attacked the gasoline tanks next to the port. The pilot, who presumably came from Honduras, missed the tanks by about 30 yards, and his

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UNITED PRESS INTERNATIONAL
28 June 1983

WASHINGTON
Wright

House Democratic leader Jim Wright and other congressmen attended a White House meeting Tuesday to "explore the possibilities" of achieving a bipartisan approach to Central American policy.

Wright and several other Democratic and Republican congressmen were invited to discuss the possible creation of a bipartisan commission to rally more support behind President Reagan's policies. Reagan did not attend the meeting.

The Texas Democrat said the administration was represented by White House chief of staff James Baker, CIA Director William Casey and Deputy Secretary of State Kenneth Dam.

"They wanted to explore the possibilities of trying to achieve a bipartisan approach to Central America," the Texas Democrat told reporters.

He said he told the White House officials "some Democrats (in Congress) really don't believe the administration wants to achieve peace."

"I expressed that apprehension," Wright added, saying he told officials, "You've got to demonstrate you really want to achieve peace."

The aim of such a bipartisan panel, Wright said, would be "to develop a mutual approach to legislative and executive positions" in Central America.

"I think the general thrust of the conversation is that there is obviously a need for negotiation ... to open up a dialogue" with Central American rebels to see if it is possible to arrange their participation in free elections, said Wright.

He said he had no objection to Central American mediator Richard Stone talking to the Salvadoran insurgents.

White House officials have acknowledged that recent polls show a decline in public support for Reagan's approach to the problems of Central America.

y MAUREEN SANTINI, Associated Press Writer

WASHINGTON

Reagan-Briefing Book

President Reagan's chief spokesman said Monday that a briefing book that Jimmy Carter's former aides delivered to the White House appears to be a "more sensitive" one than material Reagan aides used to prepare him for a 1980 campaign debate with Carter.

Patrick Caddell, who was President Carter's pollster during the 1980 campaign, had the briefing book delivered to the White House at the request of deputy press secretary Larry Speakes.

Meanwhile, Speakes reported that the White House counsel's office has received papers that were retrieved from "certain Reagan campaign officials' files." He said the material was sent to the Justice Department, which is looking into the matter. So far, no one has said how the Reagan campaign got hold of the Carter campaign's material.

Speakes said that to facilitate comparison of the material forwarded to the Justice Department with the material provided by Caddell, it would all be made public "shortly," but apparently not before Tuesday.

Several hours after the papers sent by Caddell arrived, Speakes issued a statement saying they were reviewed by White House Chief of Staff James A. Baker III and others who were involved in the campaign, but did not appear to be the same material.

Besides Baker, Budget Director David Stockman, and presidential aide David R. Gergen looked at the material, Speakes said, but did not have a chance to review it thoroughly.

"In their view, their initial examination suggests that, while some of the policy issue briefing material has similarities to what they recall having seen during the campaign, it appears to be a more finished, more sensitive briefing book than they recall," Speakes said.

"Further, the Carter briefing book includes strategic and tactical information that they specifically do not recall having seen: more focused debating points, recommended 'key lines' and 'first hand accounts,' 'questions to ask' in rebuttal, recommended 'challenges,' etc.," said Speakes.

However, Speakes said that in a letter accompanying the material, Caddell said that everyone concerned agreed "that the enclosed materials are the only issue briefing materials prepared for and sent to President Carter for that debate."

Earlier Monday, Reagan asked the Justice Department to pursue vigorously how Carter briefing material turned up in the Reagan campaign, and the Democratic Party chairman urged a special prosecutor be named.

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WASHINGTON POST
27 June 1983

Casey, Who Can't Remember, Berates Officials Who Can't Read

Lou Cannon

REAGAN & CO.

Central Intelligence Agency Director William J. Casey, whose memory ranges from weak to nonexistent on unauthorized disclosure of President Carter's briefing books to the 1980 Reagan campaign, is worried that fellow Reaganites are a bunch of blabbermouths.

Appearing before the senior White House staff last Tuesday and reading a prepared lecture in a tone described as "an admonishing mumble," Casey fretted about the difficulties of keeping classified information classified.

In the process, he gave several still-classified examples of "unauthorized disclosures" to staff members not normally authorized to receive classified information of any kind.

Fortunately for the security of the republic, Casey's examples included such previously rehashed events as the thwarted Libyan invasion of the Sudan, the world-publicized sending of arms to Afghan guerrillas and the open secret that the United States is assisting anti-government rebels in Nicaragua.

All of this was old hat. But some of the White House staff members were startled to hear Casey's report on care and feeding of the National Intelligence Daily, the com-

paratively low-level CIA analysis provided daily to 150 U.S. government officials. A legend on the cover of this document, known as NID, says it is to be returned the same day and not to be duplicated.

According to Casey, a CIA check showed that more than 100 of the documents were not being turned in and that some of those returned came complete with handy notations instructing secretaries to copy them. One responsive official, asked to return his copy, supposedly gave back 75 photocopies.

As it turns out, there are remedies to deal with such carelessness.

Casey mentioned a few of them, such as dismissal and administering lie-detector tests to employees who engage in "unauthorized disclosures." As far as is known, he would make an exception for briefing material that mysteriously appears on the desk of campaign chairmen just before a crucial debate.

Two days later, when asked to provide details of how the Carter briefing book wound up in the Reagan camp, Casey gave an impressive demonstration of what a CIA director might do if he became a prisoner of war.

Although he provided his name and rank, Casey said he remembered nothing whatever about a briefing book that White House chief of staff James A. Baker III re-

called Casey giving him. Casey's recollection has not improved subsequently.

Most Americans would, of course, be genuinely concerned by disclosure of real national-security secrets by those charged with keeping them. But some in the White House believe that national security in the Reagan administration would be served especially well by appointment of a CIA director who starts with a greater presumption of credibility.

That is not Casey's long suit, as a couple of jokes making the White House rounds last week attest. One, attributable to Alan Abelson in Barron's, said "CIA" really stood for "Casey Investing Again," a reference to the remarkable timeliness of the director's successful stock-market investments.

The other, repeated on background and presumably not classified, was a tongue-in-cheek assurance that Casey could not have been the recipient of the Carter briefing book.

"If Bill had received it," one White House official said, "he would have placed it in a blind trust."

WHITE HOUSE WATCH

ENDERS'S END

THE REPLACEMENT of Thomas Enders as the State Department's top policymaker for Latin America and of Deane Hinton as ambassador to El Salvador have been portrayed as part of a move to "toughen" U.S. policy on Central America, as a power grab by the White House national security adviser, William Clark, at the expense of Secretary of State George Shultz, and as a triumph of hardliners such as U.N. Ambassador Jeane Kirkpatrick and C.I.A. Director William Casey over "soft" foreign service careerists. Actually the situation is both simpler than all that and more complex. Personality differences played a big part in Enders's sacking. Hinton was not sacked at all. The personnel changes were not the result of a change in overall policy toward Central America, but of a determination by Clark that policy was not being effectively implemented. Clark has not executed a Kissinger-style power play, though; on the contrary, Enders was ousted as part of a plan to shift operational control of Central America policy from the White House back to State. And at State, the new Assistant Secretary for Latin America, Langhorne Motley, and the new ambassador in San Salvador, Thomas Pickering, are not noticeably harder-line on policy than Enders and Hinton were. State's original choice for the ambassador's job, John Negroponte, a career diplomat who is currently ambassador to Honduras, actually was rejected by the White House as having too hardline a reputation in Congress.

NEVERTHELESS, the Administration's policy is inexorably becoming "tougher" as the military situation in El Salvador deteriorates and that in Nicaragua improves. At least in the short run, the new personnel changes will do nothing to alter the general drift toward military solutions. Clark, instinctively hardline, has not stolen power, but he has demonstrated that he has it. Shultz, more of a moderate, has yet to show that he can get it back. Clark's fellow hardliners, including Kirkpatrick, had lost some major policy fights to Enders, but in the end they won his scalp, and that enhances their influence. One of these days—after the 1984 election, if it can be put off until then—there may be a decisive struggle over Central America within the Administration, probably over whether or not to send U.S. combat troops or large numbers of advisers to the region—to win it or stay out. At the moment, it's likely that debate will continue over how best to win while staying out and how best to handle domestic opponents of Administration policy—by conciliation and persuasion or by threat and confrontation.

Thomas Enders's friends in the State Department and enemies among Democrats on Capitol Hill find it laughable that he should be cast now as some kind of dove. Ten years ago, as No. 2 man in the U.S. embassy in Phnom Penh, Enders selected targets for secret U.S. bombing raids in Cambodia, earning the respectful notice of Alexander Haig, then chief of staff to President Nixon. As Ronald Reagan's first Secretary of State, Haig intended to pursue a high-tension policy against Latin American Communists, and he selected Enders to help carry out his aims even though Enders had no prior Latin experience. (He has since become fluent in Spanish, no mean feat while working sixteen-hour days as a policy manager.) Haig originally wanted a direct confrontation with Cuba, the "source" of trouble in Central America, but the Administration instead chose quieter options—covert aid to anti-government guerrillas in Nicaragua and stepped-up military aid to the government of El Salvador. Enders supported both—and also backed a process of negotiation with leftists and pressure for human rights reform in El Salvador to an extent that aroused suspicion among the Administration's hardest liners.

Enders's personal and management style did not endear him to his adversaries. He is an imperious, icy man who at six foot-eight acts as though he is used to looking down at other people. One State Department official said, "If Enders had done the same things he did, but had the personality of George Shultz, he'd still be here. The Reaganites like to sit around comfortably and talk about things. You can't do that with Enders present." Enders also is described as "extremely turf conscious," unwilling or unable to delegate authority, and disrespectful of other people's prerogatives. "The White House felt that Enders, not Shultz, was running Latin American policy," one aide said. "Enders really didn't report to anybody." When C.I.A. Director Casey wanted State to release new data on Communist supply lines to El Salvador, Enders sat on the information and deprecated it as "warmed-over left-overs." He got it into his head that Spanish Prime Minister Felipe González could be brought into Central America diplomacy and flew off to see him without consulting anyone, leading the White House to decree that henceforth no one travels without permission.

From the standpoint of Enders's friends at State and elsewhere, the issues over which he was ousted transcend style and concern methods of implementing policy. They say he wanted to conduct it as quietly as possible, so as not to arouse public and congressional opposition, whereas others, including Ambassador Kirkpatrick, wanted to crystallize issues and confront and defeat the opposition.

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Casey's advantage

William J. Casey has an advantage over the average investor whose information generally is limited to news reports and whatever tidbits a brokerage firm may care to pass along. As director of the Central Intelligence Agency, Casey has access to secret data about global economics trends that could be worth a fortune in deciding what securities and commodities to buy and sell.

Nobody has accused Casey of using his inside knowledge in the purchase and sale last year of stocks worth millions of dollars. Nor has he been accused of letting his investments influence his official decisions as the nation's chief foreign intelligence officer.

But the mere fact that he refuses to place his investments in a blind trust can make him the object of suspicion and undermine his credibility. Last year, for example, Casey purchased substantial amounts of stock in concerns that have foreign subsidiaries in nations that are targets of current and potential CIA activity.

Casey's investments first became an embarrassment to the Reagan administration when it was disclosed that he sold more than \$600,000 worth of oil stocks in 1981. That is the year oil prices plunged due to an oil glut. Casey was one of the few of-

ficials to see CIA estimates of global oil production and sales.

In an attempt to alleviate criticism, Deputy CIA Director John McMahon and CIA General Counsel Stanley Sporkin began reviewing Casey's investments. They are supposed to suggest that he disqualify himself from any CIA decision that could affect his financial holdings.

This is hardly reassuring. Casey is under no obligation to accept the advice of his top aides and they should not have to spend their time keeping track of his investments.

Moreover, the director of the CIA should not have to refrain from taking part in agency decisions that President Reagan appointed him to make.

Other government officials realize they should avoid even the appearance of impropriety as well as the temptation to use public office for private gain.

Casey's two immediate predecessors at the CIA, Stanfield Turner and George Bush, placed their investments in blind trusts managed by financial advisers without their clients' knowledge. So have Mr. Reagan and a number of Cabinet members with influence over economic policy.

Casey ought to follow their prudent example.

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BALTIMORE SUN

24 June 1983

Excerpts from Reagan campaign aides on Carter material

Washington Bureau of The Sun

Following are excerpts from letters sent in response to queries on how the 1980 Reagan campaign obtained Carter campaign briefing material.

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From James A. Baker III:

"In 1980, sometime after the Reagan-Anderson debate and before the Reagan-Carter debate, I do remember briefly seeing a large looseleaf bound book ... that was thought to have been given to the Reagan camp by someone with the Carter campaign. But I do not believe this was strategic material. It is my best recollection that I was given the book by William Casey, with the suggestion that it might be of use to the Debate

Briefing Team. I should note, however, that I have recently checked this recollection with him, and while he has not contested my recollection, he has no such recollection of his own. It is my further recollection that after briefly thumbing through the binder, I passed it on to the Debate Briefing Team, headed by David Gergen and Frank Hodson."

—o—

From William J. Casey:

"I have no recollection that I ever received, heard of or learned in any other way of a set of papers which laid out the Carter debate plan or the points which President Carter had planned to make as described in Mr. Barrett's account.

"Upon receiving your letter I checked with my secretary during

the campaign, two of my special assistants and five of the deputy campaign directors and none of them have any knowledge that the campaign ever received or had any paper or information resembling that described by Mr. Barrett."

—o—

From David R. Gergen:

"I do not recall ever receiving or seeing a 'Carter debate book' or any other notebook from the Carter campaign

"It is possible that I did see some pages of 'Carter material' for a brief period, but I do not recall it.

"I do recall hearing that some material from the Carter campaign was present in the Reagan campaign. To the best of my recollection, the material was not described to me

as important or dramatic"

—o—

From David A. Stockman:

"My recollection of the 'document' referred to in Mr. Barrett's book begins with a package of material that was delivered to my office ... from the Reagan campaign committee ... I believe this was October 23, 1980.

"... The documents dealt entirely with policy issues ... and contained standard arguments in support of Carter Administration initiatives and policies.

"Due to the advocacy character of these issue briefs it was apparent to me at the time that they had in some way come from the Carter campaign."

JAY HARRIS

The CIA Today...



THE SPY BUSINESS has been around as long as there have been people and governments who do not trust one another.

Which has been since the beginning of time.

That "keeping tabs" on one's enemies, if not friends, has been an accepted way of conducting foreign as well as domestic affairs few will dispute. But, how it is done is another matter.

To Col. Vincent M. Lockhart, Ret., and a veteran of more than 50 years service in the National Guard and Army Reserve, along with active duty in three wars, the business of having one of the best intelligence systems in the world is the business of survival.

In fact, the colonel, who spent 19 years with the Central Intelligence Agency, argues such a system is one of the nation's highest priorities.

THAT WAS part of a message the current El Paso soldier-writer left in Lubbock this week in a talk to South Plains Shriners and to us.

Col. Lockhart, a former Texas newsmen, is aware that the CIA, along with the FBI and anything else that smacks of "spying" are all high on the target list of the liberal media as well as some politicians and do-gooders.

Yet, he argues that of six major things necessary for this nation's survival, to have "the finest intelligence system in the world" ranks at the top. The CIA is working for America, not against it, he argues in answer to those who accuse the agency of everything from spreading dissension to death.

"As a matter of fact, I will simply tell you that the CIA has never assassinated anyone, and most of the charges against the CIA have not had nor now have any basis in fact," the colonel says when asked about such charges. The CIA has made some mistakes, some biggies, he readily admits, but is not guilty of most of the things of which it is accused, he says.

THOSE AREN'T the only misconceptions about the CIA, Lockhart says.

In the first place, the CIA hasn't been around since the days of Mata Hari. "Few people realize it," Lockhart says, "but the National Defense Act of 1947, which created the joint Chiefs of Staff concept, also created the CIA."

"Everyone says that it was started to prevent another Pearl Harbor, but Pearl Harbor had nothing to do with it," Lockhart says.

The nation was well into World War II when FDR felt he needed some sort of intelligence setup on a worldwide basis which could central-

ize the vast amount of data pouring into Washington. He called on Wild Bill Donovan to set up the Office of Strategic Services, OSS, which played a key role in some phases of WWII.

After the war, the Central Intelligence Group was formed by Executive Order, more as a caretaker for records of the OSS than anything else. But, then President Truman accepted advice to expand the agency's role and pushed the CIA as part of the defense legislation, Lockhart says. HST persuaded Allen Dulles, who had worked with the OSS, to get the whole thing underway. It was in the early stages of the CIA in the 1950's that Col. Lockhart, after a stint as publisher of The Canadian Record, and study at the Staff and Command School, became involved with the agency in a top-level position.

LOCKHART SAYS the CIA has been blamed for, and given credit for many things it should not have been.

Among its early "notable successes," he cites as 1953 when the CIA "stiffened the backbone of the Iranian Army and helped the Shah of Iran regain his throne against Mossadegh." The other had to do with aiding in the defeat of the Communist regime which sought to take over Guatemala in 1954.

But, despite the fact that the CIA was doing a good, solid job at home and abroad in taking information and making it into solid intelligence, the organization soon got in over its head and capabilities, Lockhart admits.

"The Bay of Pigs was the first great disaster for the agency," Lockhart says. It failed, he says, because 1. Such an operation was beyond the capability of the CIA, 2. Political reasons caused a change in plans, and 3. JFK withdrew critical U.S. air support at the last minute.

The Vietnam War "was another dagger in the side of CIA," Lockhart says. Again the agency was called on to do things past its capability, "and when the unpopular war ended, the anti-war groups turned their vindictive criticism against both the CIA and the FBI."

WATERGATE, WITH the involvement of a former CIA agent, and the baying of the liberal media only added to the CIA's problems.

In the wake of what Lockhart calls a "witch hunt" by Congress, "grossly exaggerated charges were made in the media." Those charges included the claims "that the CIA was guilty of massive domestic spying; had assassinated foreign leaders, and possibly even President Kennedy." The CIA has even been "linked" to the death of Marilyn Monroe.

But, Lockhart says that "the most damaging assaults on the CIA have been by a handful of former employees, mostly in the name of the peoples' right to know." And while he thinks the government must answer to the people, Lockhart argues "no intelligence system can operate in full view of the world. The KGB doesn't."

Lockhart says that Adm. Stansfield Turner did more to "emasculate" the CIA as its director under President Carter than anyone before or since. But, under William Casey, he says things are looking up.

"I believe the CIA will return as a top-flight organization," he says, "But I am just as sure it will never return to the glorious days of the late fifties and early sixties. Perhaps it is just as well..."

BOSTON GLOBE
21 June 1985

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Nicaraguans sue to stop US activity

By Susan Jaffe
Special to The Globe

NEW YORK — Seven Nicaraguan citizens, contending the United States is responsible for antigovernment guerrilla attacks in their country, are suing top Reagan Administration officials, asking \$2 million each in damages.

According to legal papers filed in federal district court in Washington in December, the Nicaraguans represent various other citizens who "have been murdered, mutilated, kidnaped and/or raped as the result of US-sponsored paramilitary activities ... [which] violate fundamental principles of human rights established under international law and the Constitution of the United States." In addition to \$2 million in compensatory and punitive damages each, the plaintiffs seek a court order prohibiting US interference in Nicaragua.

Joining the Nicaraguans in bringing the suit are Rep. Ronald Dellums (D-Calif.) and two Miami residents who claim Florida's paramilitary training camps for Nicaraguan rebels violate local laws.

The defendants include Secretary of State George P. Shultz, CIA chief William Casey, Defense Secretary Caspar Weinberger and leaders of several exiled Nicaraguan paramilitary groups.

Last week, the US Justice Department responded to the charges by asking US District Judge Howard Corcoran in Washington to dismiss the complaint.

A Justice Department spokesman, asked for comment, called it "inappropriate" for government defendants to be sued. "The President has a right to conduct foreign affairs," he said.

One of the plaintiffs, a Nicaraguan health official named Dr. Mynra Cunningham, came to New York City last week to publicize the case and meet with lawyers at the Center for Constitutional Rights, a New York-based public interest law firm. She is regional health director for the province of Zelaya.

The unusual lawsuit is based on the Alien Tort Claims Act of 1789, which permits foreigners to sue in US courts for violations of international law banning execution and torture. The legal concept that such acts violate international principles of human rights was affirmed in the Nuremberg trials after World War II.

Pardon Me, But Am I That 'Hard-Liner' the Anonymous Sources Are Talking About?

Jeane Kirkpatrick

Time was I believed a leak was the unauthorized disclosure of confidential information about actual events—such as, for example, conversations within the executive branch. That was before I understood that a leak is the weapon of choice in Washington's unending internal wars—ideally suited to spreading disinformation about fictive events.

Undocumented allegations and anonymous sources link private ambitions to public policy in labyrinthine webs of personal and political relations. Two or three well-placed "sources" working with two or three well-placed journalists can create an issue, shape an interpretation, build or destroy a reputation. From the perspective of political science, it is fascinating. From the perspective of public office, it is frustrating beyond belief.

How do you correct the record when the discussions are all confidential? My interest is

"In my memorandum to the president . . . I took a very 'hard line' on hunger, malnutrition, infant mortality, illiteracy, economic underdevelopment."

more than academic or personal. The paper triangle that links symbiotically anonymous and interested bureaucrats and politicians with dependent journalists is as much a threat to an informed public as the "iron triangle" of bureaucrats, politicians and the "Interests" is to honest government.

During the past month or two, much of the U.S. national media have relied on undocumented leaks and unidentified sources to construct a political melodrama in which some bad guys—the "hard-liners"—are pitted against some good guys—the "moderates"—

in a contest for control of U.S. policy toward El Salvador and the Central American region. According to this scenario, the good guys support political solutions, negotiations, regional dialogue, bipartisan consensus, and are deeply concerned about "underlying economic and social problems." "Hard-liners," we are told, oppose these good things; they advocate military solutions, and are dead set against negotiations, regional dialogue and bipartisan consensus-building. Hard-liners prefer political polarization.

In the current scenario, hard-liners are frequently named Clark and Kirkpatrick, though sometimes they are called Casey, Weinberger, Stone or, even, Reagan. Their principal activity is giving bad advice to the president. Because my name is also Kirkpatrick and I hold almost none of the views attributed to that Kirkpatrick, I desire to clarify just what kind of advice I have given in the weeks after the president asked me to visit Central America. I understand that it is not considered sporting to introduce into these Washington games verifiable facts or on-the-record statements of participants; but, then, I am not a thoroughly seasoned player and have not lost the predilections of my regular profession.

Obviously, I speak only for myself. I have not been present in most of the conversations of other participants. However, since I have often been cast by "sources" as the "hardest" and "most militant" of the hard-liners, my role seems relevant to the whole-dramatic production, and the fact that my actual views and recommendations bear almost no relation to those attributed to me undermines, I should suppose, the credibility of this melodrama.

Interested persons might want to know that instead of opposing attention to economic and humanitarian dimensions of Central America's problems, bipartisan participation in policy-making, the Contadora process and the broadest possible participation in Salvador's elections, I have consistently made *opposite* recommendations. I have advocated greatly expanded humanitarian and economic assist-

ance; bipartisan participation in formulating a new policy; unambiguous support for the Contadora process and regional dialogue; and maximum efforts to secure the broadest possible participation in Salvador's elections.

In my memorandum to the president on returning from Central America I took a very "hard line" on hunger, malnutrition, infant mortality, illiteracy, economic underdevelopment.

"Congress," I wrote, "has not provided the resources or support needed in part, at least, because we have not worked with them to develop a bold, imaginative program which goes beyond preventing Communist victory in the very short run, to produce for the chronically deprived people of the area the reality of present progress and the promise of more to come."

I cited Congressman Mike Barnes' proposed "one-percent solution" to the region's problems (using one percent of the requested defense budget to finance an adequate economic effort). I recommended for inclusion in the speech to the joint session a program "so beneficial to the terribly poor, malnourished people of the region that the American people will be proud to support it . . ." and also recommended the establishment of "a national bipartisan commission [which would] examine how we should apply our talent and

resources to foster health, growth, security and democracy among our neighbors in Central America and the Caribbean. . . ." I further explained to the president that this was an approach I had discussed with Sen. Jackson and other Democrats.

Though current mythology suggests otherwise, new broad, bipartisan initiatives were resisted by the "good guys" themselves. So were efforts by the governments of Central America and the Contadora Four to get under way a process of negotiations for Latins only. President Herrera Campins last week described to the Venezuelan press the message he asked me to deliver to President Reagan: "Don't let your government torpedo our conference."

CONTINUED

CAMPAIGN TALK

Trashing the Palace Guard

President Reagan was said to be highly amused by the incident, but his chief aides are steaming. Veteran campaign strategist F. Clifton White (he ran Barry Goldwater's 1964 presidential campaign) asked to meet alone with the president recently and was granted an audience — but with a couple of Reagan aides, including Deputy Chief of Staff Michael Deaver, in attendance. White had been warned beforehand not to discuss the 1984 campaign, but once he got Reagan's ear, began to trash everybody in sight, including Deaver.



UPI
DEAVER: Didn't take kindly to strategist's flak.

White told Reagan that Deaver was using his White House position to build up clients for a political consulting business and that Chief of Staff James Baker was an inept strategist identified with the losing campaigns of Gerald Ford in 1976, George Bush in 1980 and Republicans generally in the 1982 elections.

The only kind words from White were for the more conservative Reagan aides: Edwin Meese, William Clark and CIA director William Casey.

Deaver lectured White after the meeting, but White's tirade apparently didn't bother Reagan. According to Republican sources outside the White House who've heard it, he's been retelling the story with relish in recent days.

NEW YORK TIMES
14 June 1983

U.S. Officials Say Anti-Sandinists Are Growing Stronger by the Day

By **LESLIE H. GELB**

Special to The New York Times

WASHINGTON, June 13 — Administration officials say that the number of guerrillas fighting the Nicaraguan Government has increased by about one-third to 8,000 in the last two months and that the rebels have enough support inside the country now to continue fighting without United States backing.

Intelligence estimates worked on by analysts from several departments and agencies predict that the forces will grow larger and that in six months they will control almost one-third of the population in rural areas and more than half of Nicaragua's 57,143 square miles of territory, officials said. It could not be determined whether these were formal estimates that had been presented to President Reagan.

25,000 Nicaraguan Soldiers

The officials did not specify the amount of territory now under the control of the anti-Sandinist forces, except to say that it was a greater amount in the south than the north.

The so-called Contras — those opposed to the Sandinist Government in Managua — are already larger and better-armed than the 6,000 leftist guerrillas in El Salvador. The Nicaraguan military consists of a 25,000-man army, plus about 50,000 militia members.

Administration officials said in interviews that they did not believe that the Contras would be able to overthrow the Sandinist Government in the foreseeable future. "The Sandinists have the political apparatus to maintain control of the population centers even with a shrinking economy and pressure from the countryside," one official said.

It was reported several weeks ago that William J. Casey, Director of Central Intelligence, told members of Congress that the Nicaraguan rebels had a good chance of overthrowing the Sandinists by the end of the year. Mr. Casey subsequently denied having said this.

On April 28, Mr. Reagan told a joint session of Congress: "We should not — and we will not — protect the Nicaraguan Government from the anger of its own people. But we should, through diplomacy, offer an alternative."

The alternative, according to Administration officials, has been for Nicaragua to cease support of the Salvadoran rebels in return for Washington's calling off the guerrillas in Nicaragua. The officials said this has also been the aim of the so-called

Panama, Mexico, Colombia and Venezuela — that has been working to find a negotiated settlement of Central American strife.

But at least one key Administration official directly and another indirectly questioned whether Washington was now in a position to deliver the Contras in such an arrangement.

"We could not call them off even if we wanted to," one official said. "Our operatives in the field tell us that Nicaraguans are just joining up, not that we're recruiting them."

The officials also said there was increasing risk that the size and capability of the Contras in the north might spark direct conflict between Nicaragua and Honduras, although all of the officials were quick to add that they did not fear this outcome.

The Sandinists have complained in recent days of stepped up fighting on this front and of direct involvement by the Honduran Army. Foreign Minister Miguel d'Escoto Brockman told a public meeting in Managua on Friday that "this is a situation that threatens to become a war, an armed confrontation between Honduras and Nicaragua."

Asked about this today, an Administration official said Washington was aware of "some step-up" in the fighting.

Honduran officials recently visited Washington to ask for more aid and spoke of the need for outside combat support in the event of open hostilities with Nicaragua. Administration officials have maintained that Mr. Reagan would meet United States commitments under the Rio Treaty of 1947 to help defend a nation under attack.

Aid From Other Governments

The Administration officials also said that the Contras were receiving military and economic aid from sources besides the United States. This aid is said to be coming from several Central and Latin American governments and from private sources.

Edén Pastora Gómez, a former Sandinist commander and now a Contra leader, spent a few months in Mexico in early 1982 after leaving Nicaragua, and according to intelligence officials, private sources in Mexico have been providing him with "travel funds." This was confirmed by an associate of Mr. Pastora in Mexico City.

Aid from these non-Washington sources is described as not being large.

Administration officials were mostly pleased with the policy of supporting

the Contras. But one official spoke of the problems as well: "More tension on the Nicaraguan-Honduran border, danger of spreading conflict, less control by us, and therefore less ability to trade peace in Nicaragua for peace in Salvador, should we ever choose to make such a deal."

2,000 Reported in Pastora Group

The Pastora group, known as the Democratic Revolutionary Alliance, operates in southern Nicaragua with bases in Costa Rica. It has swelled at the most rapid rate, increasing from 500 to 1,000 to almost 2,000 in three months.

A second group, known as the Nicaraguan Democratic Force, is led mostly by former officers of the National Guard of Anastasio Somoza Debayle, who was overthrown by the Sandinists. This group operates in northern Nicaragua with bases in Honduras. Its force now stands at 6,000, up by 1,000 in the last two months.

Miskito Indians are said to contribute about 1,000 rebels to each group's total.

The intelligence officials said it was their understanding that most of the 8,000 guerrillas were in Nicaragua. One official said this meant about two-thirds.

\$40 Million in Direct Support

Mr. Reagan said United States support for the Contras began in March 1981 with the avowed purpose of interdicting arms moving from Nicaragua to El Salvador. He broadened these operations in November 1981 to supporting and conducting "political and paramilitary operations against Cubans and Cuban supply lines" in Nicaragua and elsewhere in Central America. The United States has spent about \$40 million in direct support of the Contras.

About six months ago, when the Contra forces were less than half their present size and beginning to set up bases inside Nicaragua, a number of legislators became concerned that the Administration aim had gone beyond interdiction of supplies and evolved into efforts to overthrow the Sandinists.

The Administration denied any such intent. But Congress has moved toward exercising greater oversight of the operations. The House Foreign Affairs Committee voted to terminate funds for the covert military operations, but the Senate is not likely to follow suit.

Over a year ago, the C.I.A. reported to Congressional intelligence committees that the anti-Government forces in Nicaragua totaled a little over 1,000. By last December, the estimate was 4,000, and the intelligence committees demanded a monthly summary of the operations.

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Nicaraguan revolt grows

From wire dispatches

U.S. administration officials said yesterday that the number of guerrillas fighting the Nicaraguan government has increased by about one-third to 8,000 in the last two months and that they have enough support in the country to continue fighting without U.S. backing.

Intelligence estimates worked on by analysts from several departments and agencies predict that the forces will grow larger and that in six months they will control almost one-third of the population in rural areas and more than half of the nation's 57,143 square miles, officials said. It could not be determined whether these were formal estimates that had been presented to President Reagan.

The officials did not specify the amount of territory now under the control of the anti-Sandinist forces, except to say that there was a greater amount in the south than the north.

The so-called Contras are already more numerous and better armed than the 6,000 guerrillas in El Salvador. The Nicaraguan military consists of a 25,000-man army, plus about 50,000 militia members. Administration officials said they did not believe that the Contras would be able to overthrow the government in the foreseeable future.

"The Sandinists have the political apparatus to maintain control of the population centers even with a shrinking economy and pressure from the countryside," one said.

It was reported several weeks ago that William J. Casey, director of central intelligence, told members of Congress that the rebels had a good chance of overthrowing the Sandinists by the end of the year. He denied having said this.

Meanwhile, Reagan left open the possibility that his special envoy to Central America might meet with representatives of the guerrillas in San Salvador, a White House spokesman and a congressman said.

The subject came up as Reagan met with members of the Foreign Operations subcommittee of the House Appropriations Committee.

Rep. Clarence D. Long, D-Md., the chairman, said the guerrillas had expressed to him an interest in holding such a meeting and that he relayed this interest to Reagan, who made no specific comment.

But Larry Speakes, deputy press secretary, said the proposed meeting would be discussed with envoy Richard Stone when he returns today from a trip to Central America and his recommendation would be followed.

Long said Reagan indicated support for a two-track approach to a solution in El Salvador: negotiations intended to lead to elections plus continued financial support for the military.

"We were assured we now have a two-track approach," Long said.

Support for such an approach could indicate a shift in administration policy. The departure of Thomas O. Enders as assistant secretary of state for Latin affairs and the removal of Deane Hinton as ambassador in San Salvador were reported to have stemmed from their advocacy of such a policy.

But Speakes said, "The president's position remains the same. We've always favored dialogue leading to elections" as well as support for the military.

Stone, winding up a 10-nation tour, met in Mexico City with Foreign Minister Bernardo Sepulveda Amor to review differences about area conflicts.

Stone began his tour June 3 in El Salvador. He also visited Panama, Colombia, Venezuela, Costa Rica,

Honduras, Nicaragua, Guatemala and Belize.

Meanwhile, a Nicaraguan rebel radio station in Honduras said the army has launched a major counteroffensive in the northern mountains.

The Sandinists confirmed that heavy fighting continued near the Honduran border, especially near Jalapa, about 120 miles from Managua.

In another development, a Honduran army spokesman said that about 100 members of the U.S. Special Forces will arrive today to staff a center that will be used to train Salvadoran troops.

Col. Cesar Elvir Sierra said the Green Berets would arrive by ship at Puerto Castilla, where the center will be established on an isolated stretch of Caribbean coast about 150 miles northeast of Tegucigalpa.

3
BY Christopher Hanson

WASHINGTON

Hawke

Australian Prime Minister Robert Hawke said today he had established a warm personal relationship with President Reagan but had also aired differences on several military and economic issues.

Hawke met with Reagan and other senior officials for two hours at the White House and later told reporters, "We now have a firm and warm personal relationship."

But he said he had also expressed Australia's concern over possible American subsidizing of farm products that he said might harm the Australian economy.

"I flagged very strongly to the president our concern about this matter," he said.

On military matters, Hawke said he had told Defense Secretary Caspar Weinberger that he could see no reason for Washington to bar the transfer of certain sensitive military technology to Australia. He said he could see why a nation such as Japan -- a potential competitor in this area -- might be excluded but said Australia was not in the same category.

Hawke said he had received assurances from CIA Director William Casey that, contrary to published reports, the CIA had never secretly interfered in Australian politics.

He said he had also been assured there would be no interruption in Washington's sharing with Australia of pertinent intelligence, despite a recent leak to an Australian newspaper of classified documents containing information provided by the CIA.

Hawke's government obtained a court injunction to prevent publication of the documents, which were reported to have contained evidence supporting allegations that U.S. intelligence was not sharing information with Australia.

Hawke said he had asked Weinberger to consider allowing an Australian military liaison officer to be based in Washington to monitor the sharing of intelligence.

EXCERPTED

UNITED PRESS INTERNATIONAL
13 June 1983

Hawke seeks secret sharing

BY JIM ANDERSON

WASHINGTON

Hawke

Australian Prime Minister Robert Hawke said Monday the U.S. government has agreed to study his proposal for a permanent liaison office in Washington that would give Australia more information about any U.S. military alerts.

The agreement to study a closer military relationship is not a commitment by the United States to accept such an arrangement, he said.

Hawke, at the end of the first full day of meetings with American officials, said the main purpose "was to establish a personal relationship" with President Reagan.

"We took that opportunity and as a result of our meeting we now have a warm and firm personal relationship," he said.

Hawke told a news conference at the Australian embassy that, in his meeting with Reagan and Secretary of Defense Caspar Weinberger, he reaffirmed his Labor government's commitment to the ANZUS defense alliance.

He said he suggested the alliance partners -- Australia, New Zealand and the United States -- perhaps should define more specifically the geographical boundaries of their alliance in their annual meeting in Washington next month.

In the most sensitive area -- intelligence sharing -- Hawke said he told Weinberger Australia wants to have a permanent military liaison office in Washington who would have the specific responsibility of acting as a link between the U.S. communications and early warning bases at Pine Gap and Nurrungar.

Weinberger, he said, agreed to study the proposal and it will be taken up at a technical level. Hawke said he had expected nothing further than that in this preliminary meeting on the subject.

Hawke also said that he discussed with Central Intelligence Agency Director William Casey the recent wholesale disclosure of U.S. classified documents by an Australian newspaper. He said he made known his government's intention to keep such information secret.

He quoted Casey as remarking wryly, "that sort of thing is not confined to Australia." Hawke said he was assured U.S. intelligence sharing with Australia would not be affected.

Hawke also told Reagan that Australia is deeply interested in trying to bring the Republic of Vietnam out of its political isolation.

ASSOCIATED PRESS

13 June 1983

STAT

By TERENCE HUNT

WASHINGTON

Reagan-Australia

Australia's new prime minister, Bob Hawke, told President Reagan on Monday that there is no nation in the world the United States "will be able to rely on more as a constructive ally than Australia."

Standing next to Hawke outside the White House, Reagan spoke warmly of the prime minister and called Australia "a great nation that plays a vital role in regional and world affairs. It's a key ally upon whom we can count."

It was the first meeting between Reagan, a conservative, and Hawke, a former trade union chief whose Labor Party came to power last March 5, toppling conservative leader Malcolm Fraser.

Later, at a news conference, Hawke said Australia's goal is to "bring back Vietnam into the wider community of nations," and that its policies toward Hanoi will be guided by that principle.

On another subject, Hawke was asked about allegations that the Central Intelligence Agency had a role in bringing about the downfall in the mid-1970's of the previous Labor Party government in Australia.

Hawke said he received assurances Monday from CIA director William Casey that such allegations were unfounded.

EXCERPTED

13 June 1983

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SURINAM

The CIA Vs. the Colonel

Central Intelligence Agency director William Casey appeared before members of the House and Senate intelligence committees last December to deal with a touchy problem: Lt. Col. Dési Bouterse, the erratic new leader of Surinam, a former Dutch colony on the north coast of South America. The colonel had seized power in 1980. In late 1982 he rounded up 15 of his leading opponents and had them shot. To make matters worse, Casey's dossier had Bouterse flirting with Fidel Castro and inviting 100 Cuban advisers to his country. To head off another Nicaragua, Casey proposed an old-fashioned CIA solution: to arm a force of Surinamese exiles and send

them back to toss out the troublesome leftist.

The plan, disclosed last week by ABC News, outraged committee members. Even Republican loyalists called it "hare-brained" and "preposterous." Most members weren't objecting to the principle of such an operation; but they demanded far more evidence that Surinam represented a threat to United States security. Still, the CIA pressed on. To beef up its case, the administration brought U.S. Ambassador to Surinam Robert Duemling back from Paramaribo to explain just how deeply Bouterse was being drawn into Castro's orbit. Duemling reported that a high-level Soviet diplomat was stationed in Surinam and that Bouterse was spending a great deal of time with Cubans at odd hours in the morning.

On the other side, there were plenty of candidates eager for a coup. Dr. Henk Chin A Sen, a former surgeon and leader-in-exile, was spending a lot of time on KLM flights between the United States, where he works

at a Pittsburgh hospital, and Holland, where he heads the Surinamese Liberation Movement. The doctor had been president of Surinam for the first 14 months of Bouterse's regime. He was forced to resign when the military leader blocked his plans for democratic reforms. Since then, the Dutch press has reported Chin A Sen's attempts to organize a small army from among the 250,000 Surinamese in Holland. He has also pledged repeatedly on the world broadcast of Radio Netherlands that the "liberation" of Surinam would be imminent. Bouterse ordered his people not to listen to Radio Netherlands after his men noticed that the streets of Paramaribo emptied every evening when the Dutch news came on. There have been rumors in Holland about ties between the former president and the CIA. But no one has ever proved them.

Veto: The story of Casey's plan has sharpened the debate on how much power Congress should have over CIA operations. Under present law, committees can reduce funding for a covert operation they do not approve of, but they can not cut off the operation altogether. Taking full advantage of those rules, Casey did not give up his coup idea immediately after hearing the congressmen denounce it. The plan was killed, said a congressional source, only much later, after administration officials warned that it would complicate congressional support for other CIA operations in Latin America. Democratic Rep. Wyche Fowler has scheduled a hearing next month on his bill to give Congress an outright veto over the CIA covert activities. But the CIA's friends on the Hill are trying to turn the Surinam debate to their own purpose: even now they argue disingenuously that, since congressional disapproval killed Casey's plan to topple Bouterse, Congress doesn't need a stiffer law.

CONTINUED

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13 June 1983

INTELLIGENCER

No Respect For C.I.A. Chief

WHAT DOES F.B.I. DIRECTOR William Webster think of William Casey, his controversial counterpart at the C.I.A.? Not much, according to a source close to Webster.

"Webster has called him a 'buffoon' a couple of times," said the source.

Another source who knows Webster told *New York* that the F.B.I. director, a Carter-administration appointee with a ten-year term, got along well with Casey's predecessor, Admiral Stansfield Turner. "They were buddies from Amherst, and they set up procedures to combat an underlying hostility between the two agencies, forcing them to cooperate," explained the source. With Casey, "the cooperation is steadily deteriorating," he added.

Casey has been in the news lately for having traded heavily in the stock market last year, after becoming C.I.A. director.

The F.B.I. refused to comment.

MIAMI HERALD
12 June 1983Trust, Mr. Casey *file only*

MY BROKER is the director of the Central Intelligence Agency (CIA). When he puts his chips down, it's a good bet. Only one man can make that statement: William J. Casey. He is the director of the CIA. He is also the director of his own financial investments. Mr. Casey made a killing playing the stock market last year. His financial disclosure form was released the other day. It shows that he bought and sold up to \$7 million worth of stock in at least 91 companies over 26 days last fall while the market soared.

Mr. Casey made a killing playing the stock market last year. His financial disclosure form was released the other day. It shows that he bought and sold up to \$7 million worth of stock in at least 91 companies over 26 days last fall while the market soared.

Lots of investors made big money during the market's boom, of course. And Mr. Casey probably is a financial whiz after a long career as a Wall Street insider. But now that he heads the CIA, he's a different kind of insider — and there's the rub.

Mr. Casey's information sources now are, of course, unmatched. Does he use his access to classified intelligence from all over the world to give himself advantages in his investments? It is an unavoidable suspicion.

In 1981, for example, Mr. Casey unloaded more than \$600,000 worth of oil stocks. Oil prices were dropping because of the global oil glut. True, many investors sold oil stocks for the same reasons. But no other investor had Mr. Casey's access to CIA economic analyses of probable oil production and sales. Timely information is priceless.

During his 26 days of white-hot

wheeling and dealing last fall, Mr. Casey bought heavily into electronics firms and into drug companies with Central American subsidiaries. It takes little imagination to surmise how the CIA director's privileges could convert his public trust into private gain in such fields.

No evidence shows that Mr. Casey violated any law. Perhaps his investments are as untainted as those of retired schoolmarms in Kansas. The issue is conflicting public and private interests, however, and it must be addressed in terms beyond narrow legal technicalities.

President Reagan, Vice President Bush, and Treasury Secretary Regan all established blind trusts upon taking office. Those accounts administer the private finances of public men without their direct personal knowledge or involvement. The arrangement avoids even an appearance of conflicting interests. It is standard procedure for public officials to establish such trusts in most instances. Mr. Casey's predecessor followed that procedure.

Mr. Casey refused to do so. Yet, as head of the CIA, the need for the credibility that results from such an arrangement is perhaps more compelling than for any other figure in Government.

The Intelligence oversight committees of Congress should scrutinize Mr. Casey's financial practices. Beyond that, however, the Reagan Administration should require Mr. Casey to establish a blind trust.

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THE MIAMI HERALD
10 June 1983

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Editing by Enders cited as 'last straw'

By ALFONSO CHARDY
Herald Washington Bureau

WASHINGTON — A few days before being ousted as the State Department's senior specialist on Latin America, Thomas Enders ordered a softening in the tone of a report on left-wing insurgencies in Central America, according to U.S. military and intelligence sources.

The original paper, before it was presented to the press with State Department modifications, had been prepared by the Central Intelligence Agency and the Pentagon.

Although the changes were not substantial and did not alter the essential thrust of the 17-page document, they did anger CIA Director William Casey and Pentagon officials who helped prepare the report.

The episode has been cited as "the last straw" in Enders' abrupt replacement May 27, the same day that the report — entitled "Background Paper: Central America" — was issued at a press briefing by State and Defense Department officials.

Reporters who attended the session sensed something was amiss when Enders, who usually conducted briefings related to Central America, did not appear. Journalists were told that a shift in schedules had prevented him from attending.

A few hours later, Secretary of State George Shultz — traveling with President Reagan aboard Air Force One from Washington to the Williamsburg economic summit — announced that Enders was being replaced as assistant secretary of state for inter-American affairs.

The sources, familiar with the original material drafted at CIA headquarters in Langley, Va., and at the Pentagon's defense intelligence unit, say the changes ordered by Enders resulted in the removal of the equivalent of at least three pages in the report.

The sources said Enders also had at least three sections in the document dealing with Cuba, Nicaragua and Guatemala partially edited to reflect more neutral language.

A comparison of some of the original material made available to The Herald with that contained in the public report indicates only subtle differences in the two documents.

In the Guatemala segment, for example, the change involved two lines and 10 words in the opening paragraph.

The original document said:

"In Guatemala, although there was increased guerrilla activity in the months preceding the elections, this violence failed to disrupt the national elections of March 7, 1982. A widespread, but unconfirmed, perception of extensive electoral fraud by the government led to a junior officer coup on March 23, 1982."

The final document, with the change noted (italics added by The Herald), read:

"In Guatemala, although there was increased guerrilla activity in the months preceding the elections, this violence failed to disrupt the national elections of March 7, 1982. A widespread, but unconfirmed, perception of extensive electoral fraud by the government together with pervasive and excessive government corruption and international isolation led to a junior officer coup on March 23, 1982."

The sources said the change was designed to "placate" congressional critics who believe that the human rights situation in Guatemala is grim. They said that in some instances the word "terrorist" was replaced with "guerrilla" or "insurgent."

Officially, the State Department had no comment on the complaints, but a State Department source acknowledged that changes were made.

This source, intimately familiar with how policy documents are drafted, defended Enders' role in the matter, saying changes were logical because the document was going to be issued jointly by the State Department and Pentagon.

Therefore, the source said, the State Department felt that its ideas also should be reflected in the paper, not only those of the Pentagon and the CIA.

The source also denied that the changes were made to cast military regimes in an unfavorable light or to improve the image of the guerrillas.

10 June 1983

STAT

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. . . and Congress' meddling

If the Reagan administration's Central American policy is poverty-ridden, it still is better than the non-policies that come out of Congress. One of the most burdensome legacies of the Watergate era has been the second-guessing and grandstanding in foreign affairs matters by congressional committees.

It may be difficult to fault Congress for keeping a close watch on an administration whose foreign policy is affected by such inexperienced and often wrong-headed officials as CIA Director William J. Casey and William Clark, the adviser on national security affairs. But many of the congressional watchers are even less experienced and more muddled than the watchees.

The House and Senate intelligence committees are notorious for leaking sensitive secrets. The committees dealing with foreign relations quibble over whether 55 advisers or 125 advisers is the right number for training El Salvadoran soldiers, as if it makes a difference. Rather than offering rational and forthright critiques of administration foreign policy, the committees reduce appropriations or stall or leak.

It was Congress that helped get us into the Nicaragua mess in the first place by holding up appropriations for aid that was badly needed for the country to recover from its civil war. While Congress dawdled, the Cubans and Soviets delivered their strings-attached aid and helped the more extreme elements of the Sandinista coalition to gain power. But now that Marxists are in control in Managua, Congress is hemming and hawing over administration attempts to oppose them.

It seems that Congress can do nothing right in foreign affairs. Maybe it should stop trying.

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SAN DIEGO UNION (CA)

9 June 1983



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Capitol Punishment

Casey Stocks Up

By Art Buchwald

It has just been revealed that William J. Casey, the CIA director, bought and sold millions of dollars in stocks and other securities last summer as the market took off.

A lot of people might think there is some conflict of interest in doing this sort of thing when you're heading up one of the most sensitive organizations in the United States. But I'm not one of them. Casey is still a private citizen and can invest his own money as he sees fit.

I admire anyone who can run a superpower's intelligence agency and also have time to keep his finger in the stock market.

I can just imagine how he did it.

An aide comes in with a top secret cable.

"Our man in Havana says that Castro is shipping concrete to Grenada to build an airfield."

"Let me see that. Do you know what this means?"

"War?"

"Not yet. It means if Grenada goes ahead with its airfield, we'll boycott them, and there will be a nutmeg shortage in the United States."

"Do you want to speak to the president?"

"No, I want to speak to my broker at E.F. Hutton. I have to find out what company handles nutmeg in the U.S."

"This is just in from Tokyo. The Japanese are coming out with a new micro computer chip which could blow California's Silicon Valley off the face of the Earth."

"I was afraid of this. If the Soviets can get their hands on Japanese hi-tech, they can go ahead with their SS64 missile and we'll have to develop a Pershing III."

"What's the answer?"

"I'm going to get out of Hewlett Packard and into Sony-American. Tell our station chief as soon as the first microchip comes off the line I want to hear about it. We can't afford to be caught napping. What else have you got?"

"One of our undercover agents in Libya says that Qaddafi is planning to overthrow the royal family in Saudi Arabia."

"This could mean the end of the oil glut. I better get back into Standard Oil of New Jersey right away."

"Should we do anything to prevent the coup?"

"What do you suggest?"

"Get word to Qaddafi he's a dead man if he ever tries it."

"Good idea. I'll hold off on Standard Oil until we get his reply."

"By the way, the White House called and wants to know if we have anything out of Israel concerning their work with lasers. It could be a big factor in our new 'Star Wars' strategy."

"They haven't come up with anything yet. If they did I would have bought United Laser, which is putting up the money for the research. Tell the White House if they see some heavy trading in United Laser, then the Israelis will have made a breakthrough."

"Our man in East Germany says his mole indicates the East Germans have developed an infrared instant camera which Moscow is going to issue to all KGB agents in the fall."

"It doesn't bother me. I've been out of Polaroid since last summer. How are the Soviets doing with their gas line to West Europe?"

"They're on schedule."

"I was afraid of that. That means the Baton Rouge Shipping Co. is going to be stuck with 20 liquid gas tankers the West Germans ordered."

"I'm sorry about that, sir."

"No one can call every stock right. Did you find out the names of the subcontractors on the MX missile yet?"

"The Air Force is being very cagey about giving out any names."

"Oh they are, are they? Get me Cap Weinberger on the line right away. How can I run a decent intelligence operation if our own people are going to keep secrets from me?"

1983, Los Angeles Times Syndicate

STAT

8 June 1983

STAT

The incredible Mr. Casey

President Reagan, Vice President Bush, Treasury Secretary Donald Regan and nearly all the other major figures in the administration put their financial holdings into blind trusts upon taking office, being well aware that in public life the appearance of probity is every bit as important as probity itself.

The notable exception to this has been CIA Director William J. Casey, who has continued to play the stock and securities markets like a gambler on a roll.

According to his financial disclosure statement, the CIA director plunged \$1.5 million into the markets between last Aug. 26 and Sept. 20 alone, running that up to \$2.2 million in less than a month.

Mr. Casey sees nothing wrong in this, noting that he has assigned Deputy CIA Director John McMahon and other staff to alert him the moment his investments present a conflict of interest.

He decided on this arrangement only last year, after a public scandal resulting from his sale of \$600,000 in oil stocks in 1981, just in time to avoid heavy losses from the developing world oil glut. That Mr. McMahon and his associates have more important things to do than keep track of Mr. Casey's portfolio may seem a small point to some, but even if they work at it 24 hours a day, they are never going

to be able to remove completely the appearance of conflict.

There is more at stake here than embarrassment. The President is laboring mightily to persuade House and Senate oversight committees of the seriousness of several threats to the nation's security. His success greatly depends on congressional acceptance of administration intelligence data, but during Mr. Casey's tenure, the CIA's credibility on Capitol Hill has declined dangerously.

At first, he seemed to be passing on only that intelligence which agreed with the then new administration's ideological party line. Then he infuriated congressmen and CIA careerists alike by naming sewing machine salesman and Republican fund raiser Max Hugel as his head spy. Oversight committee members who used to hang on former Deputy CIA Director Bobby Ray Inman's every word would not now believe Mr. Casey if he was reading the transcript of one of Mr. Inman's presentations.

Many on the Hill are going to view the disclosure of Mr. Casey's stock profits as about the last straw. If he values the nation's security and the success of his own policies as much as he says he does, Mr. Reagan ought to view it that way, too, and make Mr. Casey clean up his act or get off the stage.

ARTICLE APPEARED
ON PAGE 19A

THE MIAMI HERALD
8 June 1983

file only

Chief Spook Is All Too Visible

By SANDY GRADY

Knight-Ridder Newspapers Writer

A REPUBLICAN insider was asked a couple of years ago why Ronald Reagan chose William J. Casey to be his chief spook at the Central Intelligence Agency (CIA).

"Because," said the Republican, only half-joking, "that seemed the best place to hide him."

At the time the jest made sense. Reagan owed Casey something for being the nominal manager of his 1980 election victory. But even the Reagan advisers didn't want Casey, an inarticulate public figure who had spent a career trading on Wall Street in a spotlighted Cabinet job.

So the CIA seemed a safe niche. The President's chief spook doesn't have to make speeches or answer questions on Meet the Press. When he talks to congressional committees, it is usually behind locked doors.

PUTTING Casey in charge of the levers at the CIA's Langley, Va., headquarters seemed to be the perfect payoff. Casey, who had some World War II intelligence experience, could run the U.S. spy empire with no public fanfare.

If they wanted to hide Casey, the Reagan team might have been better off putting him in charge of Commerce or Agriculture or one of those other bureaucratic mazes.

At the CIA, he's been as discreetly reclusive as a six-ring circus, complete with clowns and jugglers.

Casey has repeatedly shown a blazing gift for making the wrong kind of headlines.

The Senate Intelligence Committee, especially Sen. Barry Goldwater, doubted Casey's ability from the first because of his stumbling, amateurish answers about the CIA's covert plans.

"Casey is the first CIA director who doesn't need a telephone scrambler," one senator joked, alluding to Casey's mumbling style of speech.

BUT, as the President's No. 1 spy, Casey showed a wonderful flair for slipping on banana peels. He named Max Hugel, a political operator, as a top aide; Hugel had to quit because of old scandals. Then Bobby Inman, the most respected spook in Washington, quit the CIA. And Casey's own sharp financial dealings nearly cost him his job.

The senators gave him a grudging OK with the half-hearted line, "not unfit to serve."

Now Casey is again demonstrating his talent for treating the kind of news the Reagan Administration doesn't need.

Casey's financial-disclosure form shows he bought and sold as much as \$7 million worth of stock in a 26-day splurge when the stock market was zooming in the late summer of 1982.

So far nobody knows whether Casey, a 70-year-old millionaire, broke any laws on his stock-market spree. Unlike many other top Reagan officials, Casey had earlier refused to put his holdings in a blind trust.

"Some of us are leery of the way Casey operates," said a Senate Intelligence aide, "but he's free to buy and sell on his own."

But there's at least a chance that

Casey could have used his CIA inside knowledge to make a few bucks on the market.

Several of the drug companies in which Casey invested heavily have subsidiaries in Central American countries where the CIA flourishes. Casey also bought chunks of stock in electronic firms that could have Government contracts.

"We'll review it for conflicts of interest," said Bob Flynn, a spokesman for the Office of Government Ethics. "We'll see if he (Casey) had advance information about situations conducive to the stock market advancing."

Even if Casey's market shenanigans are pure, though, there is something unsettling about a CIA director frantically juggling stocks

at the same time he's paid to run the country's spy machinery.

Casey's behind-the-scenes clout is immense. He's the operator of the U.S. agency's biggest covert operation in years, the CIA's secret war against the Sandinista government in Nicaragua.

Because of a Reagan executive order signed in 1981, Casey is the first CIA director who has the power to spy inside the United States.

Casey is also running a number of cloak-and-dagger capers around the world, including operations in Honduras and El Salvador, getting arms to Afghan rebels, and clandestine activity in the Middle East.

EVEN Washington critics admit that so far Casey's CIA has not been shaken by major leaks or intelligence flops. But it's still early.

"You never know about a CIA disaster until after it's blown up in your face," said a man with the Senate Intelligence panel. "Casey doesn't even give the senators much of a handle on what he's doing."

One thing Casey is obviously doing is feverishly playing the stock market. His other knack is for doing public pratfalls — he's the Spy Who Keeps Coming in From the Cold.

If his string of blunders continues, Casey could match Jim Watt as the Cabinet member most likely to be fired before the 1984 election.

What Casey depends upon, of course, is his friendship with Reagan.

"I still call him Ronnie," Casey has said smugly.

The White House probably has its own name for Bill Casey, their spook who can't stay invisible.

Bad News Casey.

file only

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Bad News Casey.

WASHINGTON
BY JAMES VICINI

Ivory Coast President Felix Houphouet-Boigny met with Agriculture Secretary John Block and members of Congress today to discuss agricultural trade and the political situation in Africa.

Houphouet-Boigny, on his third official visit to the United States, saw President Reagan yesterday and will conclude his trip to Washington tomorrow by conferring with Treasury Secretary Donald Regan and World Bank President Tom Clausen.

* * * * *

The Ivory Coast leader also discussed the political situation in Africa with senior members of Congress at a House Foreign Affairs Committee luncheon.

Houphouet-Boigny, during his White House meetings, has called for faster progress on Namibian independence from South Africa and expressed concern about Libyan activities in Africa.

William Casey, director of the Central Intelligence Agency (CIA), also met with the veteran Ivory Coast leader. Both sides declined to say what topics were discussed.

EXCERPTED

ARTICLE APPEARED
ON PAGE 8ATLANTA CONSTITUTION
7 June 1983

Have we got a coup for you...

Did CIA Director William Casey ever have a proposition for Congress' intelligence committees?

Here was this small, Georgia-sized South American country called Surinam (formerly Dutch Guiana), which fronts on the Caribbean.

Independent from the Netherlands since 1975, Surinam's legally elected government was ousted three years ago by a sergeants' coup, which has ruled harshly ever since, forcing 16,000 of Surinam's 400,000 citizens to flee, many to Holland and the United States.

Worse still, the local tyrant, Desi Bouterse, had been throwing in with bad company — Cuba, Grenada, Nicaragua and Libya, countries of that ilk.

For a small U.S. expenditure, Casey told members of the committees last December, the CIA could recruit and equip Surinam exiles to stage a counter coup and install a Western-leaning bastion of democracy. The master plan was all set, Casey averred, and had President Reagan's approval. No sweat.

By a stroke of good luck, Casey was informing House and Senate intelligence panels *in advance* of the Surinam mission. Rules governing congressional oversight of covert operations require only that the panels' members must be apprised of ongoing secret actions, not necessarily before the fact.

The reaction of those House and Senate members let in on the scheme was near-unani-

mous: shocked opposition. Casey's so-called evidence of Cuban penetration was flimsy and unconvincing, congressional sources told ABC News "Nightline" last week.

Although the Democratic-dominated House panel had rejected the plan, Casey was prepared to follow through with it. But then the Senate committee, chaired by GOP Sen. Barry Goldwater, voiced its own thunderous disapproval.

At that point, the project was scrapped, and congressional sources report they are reasonably confident that Casey has kept his word about that.

What lessons are to be drawn from the near-fiasco in Surinam?

For one, that the despite the manifest disasters for U.S. interests which resulted from such quixotic CIA ventures in the past, Reagan and Casey are disturbingly keen to play with the dirty-tricks toy.

The United States has absolutely no business authorizing the forcible removal of sovereign governments, no matter how despotic or disagreeable, unless as a means of last resort against a direct and verifiable threat to our national security. The present administration's *Castrophobia* notwithstanding, Surinam clearly does not meet that test.

For another, the Surinam case points up the wisdom underlying Atlanta Rep. Wyche Fowler's legislative proposal requiring advance notice of all covert operations and giving the intelligence panels the jointly shared power to scrub them if they seem unwise. We can't always count on mere congressional disapproval sidetracking Reagan's or any future administration from pursuing a hare-brained mission improbable.

Durwood McAlister*file only*

Congress should investigate Casey

stock deals

Like the cat that cornered a porcupine, Congress is warily circling CIA Director William Casey, trying to figure out what to do next. It knows it has found something interesting but it's not sure what to do with it.

The revelation that the Central Intelligence Agency boss bought and sold some \$7 million worth of stocks in a hectic 26-day period last year when the market was rising is not the sort of thing that can be ignored.



But if the potential scandal is too big to be swept under the rug and forgotten, it is too well hidden to be dug out without considerable pain.

There is no question that Casey's position gives him access to a remarkable amount of inside knowledge on the firms in which he invested. But, in order to show that he used that knowledge to feather his own nest, it is necessary to penetrate the shield of secrecy which surrounds the nation's intelligence agencies.

Any attempt to do that is sure to bring cries from the Reagan administration that the nation's security is being put at risk.

Bob Flynn, a spokesman for the Office of Government Ethics, has said his office will examine the case, but that is not likely to lay the question to rest.

A determined investigation by a congressional oversight committee might be able to get at the truth. There have been no indications so far, however, that such an investigation is being considered.

A persistent Bella Abzug, as chairman of a House subcommittee on Government Information and Individual Rights, tried a similar probe of the intelligence agencies in 1975. She ran into a government stone wall and, eventually, the draft report prepared by her staff was quietly buried.

Enough is known now, however, about intelligence agency operations to suggest that a full-scale investigation by Congress may be timely and necessary.

In his book, "The Puzzle Palace," investigative reporter James Bamford has recently documented the extent to which the intelligence agencies

tic-commercial operations and intrude into the lives of private citizens.

Writing specifically about the supersecret National Security Agency, but describing a capability shared by the CIA, he said:

"Within the United States, the NSA is still free to pull into its massive vacuum cleaner every telephone call and message entering, leaving or transiting the country, as long as it is done by microwave interception. And the agency can program its high-speed computers and 22,000-line-per-minute printers to kick out every telegram or telex containing the word oil for the word Democrat, while voice analysts, scan-guides in hand, listen attentively to every phone call between Washington and London, recording for later dissemination those containing the targeted subjects."

William Casey may not have used the information gleaned by such awesome eavesdropping methods to make a killing in the market.

But the possibility that he did would seem to offer justification enough for Congress to tackle the porcupine and try to get some answers.

7 June 1983

THE REGISTER'S EDITORIALS

The shameless investor

When William Casey sold \$600,000 worth of oil stocks last year just before oil prices took a plunge, eyebrows were raised. Casey, as director of the Central Intelligence Agency, is in a unique position to take advantage of the vast storehouse of international economic information.

Not that Casey is a man to worry about appearances, as his long and tangled list of questionable business practices attests. But the Senate Intelligence Committee, for one, was embarrassed — and with good reason, for it had never bothered to look into the substantial stock holdings of the man it confirmed in one of the nation's most sensitive positions. And Casey had blithely refused to put the holdings into a blind trust as his two predecessors and other wealthy figures in this administration had done.

Pressed to deal with the situation, the CIA came up a year ago with a bizarre solution: Casey would be required to notify two of his CIA underlings about stock transactions; in turn, they would tell him whether he should be excluded from making partic-

ular decisions.

So how has this solution worked? On the one hand, it is hard to say. The CIA declines to comment on whether Casey has disqualified himself from any decisions because of it. On the other hand, it seems to be working very well for Casey. He bought between \$1.9 million and \$4.5 million of stock in 61 companies last year, doubling the number of transactions he was involved in the year before.

It is impossible, in this veiled operation, to know precisely how — or if — Casey benefited from his unique situation. But there is no question about his having broken the government prohibition of any action "which might result in or create the opportunity of using public office for private gain."

The CIA, operating in secret, is not accountable to the public or Congress in any way except through the oversight function of the Senate Intelligence Committee. The public is still paying the price for that committee's inexcusably poor job of it. And Casey — by all appearances — is still reaping the benefits.

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7 June 1983

WASHINGTON

CONGRESSMAN PROPOSES BLIND TRUST FOR CASEY

The chairman of a House panel proposed Tuesday that blind trusts be required for CIA director William J. Casey or the head of any major U.S. intelligence agency who has more than \$100,000 worth of stocks or other securities.

In a letter to the Office of Government Ethics, Rep. Donald Albosta, D-Mich., asked for comment on the proposal, which Albosta said he might offer as an amendment to the 1978 Ethics in Government Act.

Last week, Casey, who has nearly unparalleled access to secret government economic data, reported that he sold several million dollars worth of stocks and other securities in 1982. Casey, unlike his two predecessors at the CIA, chose not to put his holdings in a blind trust, which prevents an official from knowing which of his stocks have been bought or sold.

Albosta, chairman of the House Post Office and Civil Service Human Services subcommittee, said his proposal "would require the director of each of the four major intelligence agencies - the CIA, the FBI, the Defense Intelligence Agency and the National Security Agency - to establish a blind trust if they hold securities worth more than \$100,000."

"This amendment would prevent the peculiar advantages of their positions, such as access to inside information, from affording them the opportunity to use their government positions for personal gain. ... This approach would recognize the ironic truth that these agencies have the greatest access to sensitive information and are subject to the least oversight by the public, the press and the Congress of any agencies in the government."

Last week, Casey's investment adviser, Richard R. Cheswick, said he makes the day-to-day decisions on buying and selling stock for Casey and denied that the CIA director ever gave him information that helped in making those decisions. Cheswick, however, did not say that Casey never ordered him to buy or sell certain stocks.

9
RADIO TV REPORTS, IN

4701 WILLARD AVENUE, CHEVY CHASE, MARYLAND 20815 656-4068

FOR PUBLIC AFFAIRS STAFF

PROGRAM Crossfire

STATION CNN TV

DATE June 7, 1983 7:30 P.M. CITY Atlanta, Ga.

SUBJECT Covert Action in Central America

ANNOUNCER: From Washington, Crossfire. Tonight, covert action in Central America. The hosts for Crossfire, on the left, Tom Braden; on the right, Pat Buchanan. In the crossfire, Stansfield Turner, former Director of the CIA.

PAT BUCHANAN: Yesterday Nicaragua, the government of Nicaragua expelled three Americans, accusing them of being CIA agents who attempted to murder the Foreign Minister of Nicaragua by planting a poisoned bottle of brandy in his cabinet. Today the United States called that a cock-and-bull story, retaliated by expelling 21 Nicaraguan diplomats and closing down all six consulates in the United States.

To talk about that with us tonight, Admiral Stansfield Turner, former Director of the Central Intelligence Agency under President Carter.

TOM BRADEN: Admiral Turner, in the light of the poisoned cigars of the past, the dirty tricks that were perpetrated during the time before you took over the agency, is it conceivable, conceivable, that the poisoned-brandy story is true and that some of the people have reverted -- some of the people up there in Langley have reverted to their old habits?

ADMIRAL STANSFIELD TURNER: I don't think it's at all conceivable, Tom, because President Ford, with George Bush as his CIA Director, issues a direct presidential order in February of 1976 prohibiting anyone in the CIA from even planning assassination, let alone carrying one out. President Carter reaffirmed that order. President Reagan has reaffirmed that order. It's just against our rules.

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ON PAGE A-11

WASHINGTON TIMES
7 June 1983

Casey's choice

If his 1982 financial disclosure statement means anything, Bill Casey, a.k.a. the boss of America's prime foreign economic and political intelligence-gathering agency, the CIA, is one of this country's most successful money managers. Successful enough to raise eyebrows among enemies of the administration if not elsewhere.

Is there anything more at issue here than a chance for people who don't like the CIA to damage the agency by raising questions about the integrity of the man at the top? We're afraid so.

Some of the personal investments that have earned Casey so many hundreds of thousands of dollars have gone to companies with subsidiaries in Latin America, a part of the world where the CIA is understandably active these days. Companies affected by world events also figure in the Casey portfolio—after all, what stock listed on the New York Stock Exchange isn't affected by world events?

It could be that Casey is able to keep these two parts of his life strictly separate. Maybe he doesn't take advantage of his inside information when he makes an investment. Maybe he's not swayed by the possibility of financial gain when CIA policy decisions

come up. But it doesn't require malice to find the situation a bit unseemly.

It's the more unseemly in the light of Casey's answer to the appearance of conflict of interest. When the CIA director was criticized for his profitable sale of \$600,000 worth of oil stocks as the first signs of a world oil glut appeared, he set up a screening committee to tell him when he shouldn't participate in CIA decisions because his investments might be affected. In other words, the director of the Central Intelligence Agency arranges to bow out of a large part of the job Ronald Reagan hired him to do because it might complicate his personal financial dealings.

There was an alternative, of course — he could have put his investments in a blind trust for someone else to manage. But Casey refused to do that.

Much has been made of the sacrifices demanded of people in the public service and of the way conflict-of-interest rules keep talent out of government. There are, indeed, requirements that amount to no more than harassment. But recourse to a blind trust isn't exactly the same as taking a vow of poverty. It doesn't seem too much to ask of a man in a position as extraordinarily sensitive as Casey's.

6 June 1983

Blind Trust for Mr. Casey

Financial Affairs of Central Intelligence Agency Director William J. Casey may be, as President Eisenhower was fond of saying, "clean as a hound's tooth," but they do tend to raise some eyebrows.

According to his financial disclosure statement, Mr. Casey bought and sold millions of dollars in stocks and other securities last summer as the stock market was beginning a major advance. In the 26-day period from Aug. 26 to Sept. 20, Mr. Casey bought from \$1.5 million to more than \$22 million in stocks and other securities, particularly in electronics and drug companies.

Since financial disclosure statements are fairly broad as to detail, it is virtually impossible to gauge the profit or loss of Mr. Casey's extensive transactions.

Still, there is the fact that Mr. Casey heads the CIA and that agency is presumed to know practically everything about the most secret economic data, not only in the U.S. but elsewhere. It is pretty good, so it is said, in forecasting economic and other trends. So the question naturally arises whether Mr. Casey is able to use "insider" information to guide his investments, or whether he just has a remarkably good investment counselor.

Day-to-day management of his portfolio is in the hands of a private adviser.

And, certain officials now review his stock transactions for possible conflict of interest. That came about after Mr. Casey sold \$600,000 in oil stocks in 1981 — perhaps coincidentally just as the oil glut developed in the world market. But who are the review officials? One is the CIA's deputy director, and another is its general counsel.

Most, if not all, senior government officials have placed financial holdings in a blind trust, including President Reagan and Vice President Bush. Why Mr. Casey chose not to isn't clear.

Sen. Carl Levin, D-Mich., a senior Democrat on a Senate subcommittee with jurisdiction over government ethics, has urged President Reagan to require Mr. Casey to set up a blind trust. "It seems clear that the repeated stock transactions by Mr. Casey while he receives information on an on-going basis as director of the CIA creates the appearance of using public office for private gain," wrote Senator Levin in a letter to Mr. Reagan. If the President and Mr. Casey decline, the senator said he would introduce legislation to force him to do so.

It is hoped the senator doesn't have to go that far. Surely Mr. Casey is aware that avoiding even the appearance of a conflict of interest is important enough for him to voluntarily choose to put his financial dealings in a blind trust.

ARTICLE APPEARED
ON PAGE 26

NEWSWEEK
6 June 1983

Reagan's Hidden Agenda

The U.S. strategy is to split Nicaragua's leadership.

By JOHN WALCOTT, Chief Diplomatic Correspondent

What future does the Reagan administration have in mind for Nicaragua? Despite all the rhetoric about merely trying to harass the Sandinistas or halt the flow of arms through Nicaragua to rebels in El Salvador, the unstated but obvious goal of U.S. covert aid to the contras is a change in Managua. As departing Assistant Secretary of State Thomas Enders has said for a long time, U.S. officials want to "get rid" of the Sandinistas.

Senior U.S. officials concede that even with offensives under way on both northern and southern fronts in Nicaragua, the contras are unlikely to defeat the far superior Sandinista Army on the battlefield and march into the capital. Instead, what American policymakers are hoping for is some combination of the following:

- Mass desertions from the Nicaraguan Army to the contras, especially on Edén Pastora's southern front. How much fantasy tinges this scenario remains to be seen. Contra leaders like Alfonso Robelo and other officials from Pastora's Democratic Revolutionary Alliance (ARDE) have told U.S. officials that only Commander Zero, with his mystique, can inspire such defections. His force already includes a number of former Sandinista soldiers and pilots.

- Mass disgruntlement with the Managua regime in the countryside. Sandinista economic poli-

cies—especially food rationing—are unpopular, and the junta's ill-mannered treatment of the pope during his recent visit provoked anger among the deeply religious peasants.

- Continued support for the contras from Honduras and, at least tacitly, from Costa Rica and Panama as well.

- Rifts among the Sandinistas under pressure of contra attacks in the north and south.

The last element is the crucial one. To some American diplomats and intelligence

officials, the history of the shrinking directorate suggests the Sandinistas are low on solidarity. U.S. officials apply a sliding scale to the Sandinistas. The hardest cases—those whom the administration thinks absolutely have to go—include Tomás Borge, Daniel Ortega, Enrique Ruiz and Bayardo Arce. Minister of Agriculture Jaime Wheelock and perhaps Defense Minister Humberto Ortega and Foreign Minister Miguel D'Escoto are thought to be salvageable.

What the administration is really after, then, is a combination of external and internal pressures which will set off another earthquake in Managua, toppling the hard-line leftists and clearing the way for a coalition government that would include members of the present regime, some private-sector types and contra leaders. That vision is shared to some extent by ARDE, some Pastora aides claim, but it is unclear whether the Nicaraguan Democratic Force (FDN) in the north has the same goals. Some U.S. officials fear that the FDN's goal is another blood bath, followed by a right-wing revival, perhaps even involving Anastasio Somoza's son. FDN leaders, of course, deny any such impure thoughts.

Casualties: What are the odds that any of this will come to pass? There were disputed reports last week that CIA chief William Casey saw success by the end of the year. That seemed unlikely. U.S. officials have been heartened by the contras' support in the countryside and by its early military credibility. But they note that so far the Sandinistas have mainly thrown the ragtag Sandinista militia, not main-force Army units, against the insurgents (in part because the Sandinistas hope local casualties will spur opposition to the contras). They also say that additional Soviet or Cuban aid, especially helicopters, could change the odds drastically. "Frankly, we've been surprised at how well the insurgents seem to be doing," says one U.S. official. "But nobody with any brains would bet any money on them right now."

The American strategy, itself, has had one serious defect. Instead of fracturing the Sandinistas, outside pressure, especially from former supporters of the Somoza dictatorship, is likely to inspire Nicaragua's leftist rulers to set aside their differences. If the United States increases aid to the contras, Nicaragua's "freedom fighters" will also look more like American puppets, both to other moderate Latin American governments and to ordinary Nicaraguans. It will be difficult for the insurgents to find the wherewithal to take on the Nicaraguan Army and still keep their image as the spearhead of a popular insurrection against Sandinismo. That particular Catch-22 could hobble the counterrevolution long before it brings anybody down.

6 June 1983

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STAT

UP & DOWN WALL STREET

By ALAN ABELSON

CIA. How naive can you get? We always thought those initials stood for Central Intelligence Agency. But now we know better. They really stand for Casey Investing Again. Thanks to the compulsory disclosure of our leading civil servants' finances, we can report that Mr. Casey, director of the CIA, in other words, the nation's Supersleuth, loves to trade stocks and bonds. What's more, he's very good at it. His timing particularly is great. Last August, for example, he was among the first to hear the mighty roar of the bull, and they didn't have to ring the bell more than once. From August 20 through the end of that memorable, fantastic month, he made no fewer than 16 buys, in the process pouring something between \$410,000 and over \$1 million into the market. Moreover, he also snatched up three-quarters of a million bucks worth of Treasury bills. So much for the sneerers and scoffers who objected to Mr. Casey's appointment on the grounds he lacked commitment. He'd have made an even greater commitment if he hadn't run out of dimes calling his broker.

What's more, Mr. Casey grabbed the bull by the horns and rode its wonderful charge all the way up, continuing to buy vigorously right through December. In that critical stretch from late August to late September, he put something in the range of \$1.5 million and \$2.2 million into the market. That's the kind of fellow we want running the spy store: nerves of steel, no shivering and shaking, no tremulous trembling before the threat of nuclear war or a 100-point correction.

We've not a scintilla of doubt that the small-minded souls in Washington, those cocktail-party cynics, who are always selling America short, will carp that Mr. Casey can't tend his portfolio with such diligence and still discharge his obligations as head of the CIA. Well, we just wish they'd stop squawking long enough to think it through.

To begin with, in his job, Mr. Casey is, of course, intimately involved with the country's security; so why shouldn't he be intimately involved with the country's securities? And, too, his trading activity

reflects a side of Mr. Casey that the general public rarely glimpses. To the overwhelming majority of the citizens of this great nation, he's a tough-minded, hard-nosed, strong-armed, two-fisted, iron-stomached, sure-footed man. But there's a touchingly sentimental strain in Mr. Casey as well. Remember, he was formerly head of the SEC, and he still has warm feelings for the many friends on Wall Street he made while in that post. Every chance he gets, accordingly, he tries to throw a little business their way. And, in turn, he's a beloved figure on the Street, where he's affectionately known as Churner Casey.

All told, Washington Editor Tom Donlan reckons, Casey did 136 separate transactions last year in securities. As you might expect for anyone connected with a spook agency, he's very much interested in technology. Hence his purchases of MCI (the CIA in the normal course of business does a lot of phone tapping, so it's natural that he'd be attracted to that feisty outfit that's giving AT&T a run for its money). No surprise, either, what with the world going to pot, a global guinshoe like Mr. Casey would have a weakness for drugs, and his portfolio was chock full of Abbotts, Mercks and Bristol-Myerses. Nor was he put off by the Tylenol scare—he knew from secret reports that the episode wasn't, as widely rumored, part of an international conspiracy, so he bought Johnson & Johnson.

CIA people, of course, are always sending out messages to the far corners of the earth from little radio transmitters tucked away in the fillings in their teeth, so Mr. Casey's appreciation for communications is also no mystery, and, we're pleased to report, he made a very pretty penny in Capital Cities. And, of course, motels and motor inns, every addict of spy stories knows, are favorite drops for secret weather forecasts for Newark, Miami and other exotic places. Which explains why Mr. Casey picked up some shares of La Quinta Motor Inns and good old Marriott. Computers are big these days in the Company, for simulating wars in Central America and for playing chess while waiting for crises to erupt (there are slow stretches at the CIA; sometimes you can go for days without a crisis erupting, and, then, wouldn't you know!, you get three-four at a time). Hence his holdings of Digital Equipment.

Mr. Casey also was a buyer of Paradyne, a company that's subsequently come under some-

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Asides *The Acid Test*

Sen. Levin of Michigan has written President Reagan urging that CIA Director William J. Casey be required to put his securities holdings in a blind trust to avoid any appearance of impropriety in his stock dealings. Mr. Casey's latest financial disclosure form had revealed that his account, actually handled by a financial adviser, saw a lot of action last year. His critics weren't placated much by a statement from the adviser, released through the CIA, that said Mr. Casey had never provided any information or special analyses that could be used in making investment decisions.

Of course, Sen. Levin's concerns about using public office for private gain are justified, so much so that we would like to see them applied to legislators as well as bureaucrats. On the other hand, a case could be made that the director of the CIA, of all federal officials, should not only be allowed to trade securities on the basis of the information he has, but actually be required to do so. In the vernacular, it's called putting your money where your mouth is.

6 June 1983

KOPPEL: ABC's Carl Bernstein reports that a House Foreign Affairs Committee is expected to vote tomorrow to cut off funds for covert CIA aid aimed at crippling the Sandinista government. Senate committees already have voted a similar cutoff by September 30, but Bernstein reports that congressmen responsible for overseeing the CIA are skeptical about today's charges by Nicaragua.

BERNSTEIN: Despite heightened congressional concern about the CIA's activities in Central America, those congressmen most familiar with the agency's operations, members of the House and Senate Intelligence Committees, have expressed skepticism that the agency would engage in any assassination plots. Such action, they note, is forbidden by law, and the danger to the CIA, if it was found to be secretly plotting murders of Nicaraguan leaders, would be enormous, international embarrassment, a probable cut-off of funds for dozens of covert operations around the world, far-reaching investigations, and for the Reagan administration extensive political damage, but among members of Congressional Intelligence Committees, as well as members of the intelligence gathering community there was little doubt expressed that officials of the embassy staff in Managua have extensive contacts with the Sandinistas' political opposition. Part of the \$19 million in covert operations against the Nicaraguan regime is earmarked for building popular support for an opposition front in the country, but there has been no suggestion by congressional sources that these plans include assassination attempts. CIA Director William Casey, say members of Congress, has become increasingly angered by questions raised on Capitol Hill about covert activities in the hemisphere, leading to a recent outburst in which congressmen say Casey shouted at them, quote, 'Who lost Central America is going to be the big issue in the next presidential election.' This is Carl Bernstein for Nightline in Washington.

ARTICLE APPEARED
ON PAGE A-12WASHINGTON POST
6 June 1983

LETTERS TO THE EDITOR

Mr. Casey's Portfolio

The front-page story June 1 misrepresents William J. Casey's recent investment activity and needs to be corrected.

I have provided Mr. Casey and his family with professional investment counsel services for approximately 20 years. During this time, I have had discretion to manage his investment without consultation with him.

Investment changes that were made by me in his accounts were based on our firm's judgments that were consistently applied to our other clients' portfolios. There have been no instances whatever during Mr. Casey's service as director of the Central Intelligence Agency when he has provided me with any information that could have been used as an aid in making these decisions.

In the third quarter of 1982, a large sale was made of a security Mr. Casey had held for over 30 years. This sale was made to improve the safety and diversification of the portfolio. Approximately 40 percent of the proceeds were used to purchase other stocks and 60 percent to buy bonds. This activity made for a large dollar value of transactions, but much of this simply reflected the rolling over of temporary short-term securities. The stocks and bonds selected by us were deemed as appropriate for his family's investment objectives.

RICHARD R. CHESWICK

Cheswick, Gillespie and Co
Greenwich, Conn.

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WASHINGTON TIMES

6 June 1983

SOCIETY / Betty Beale

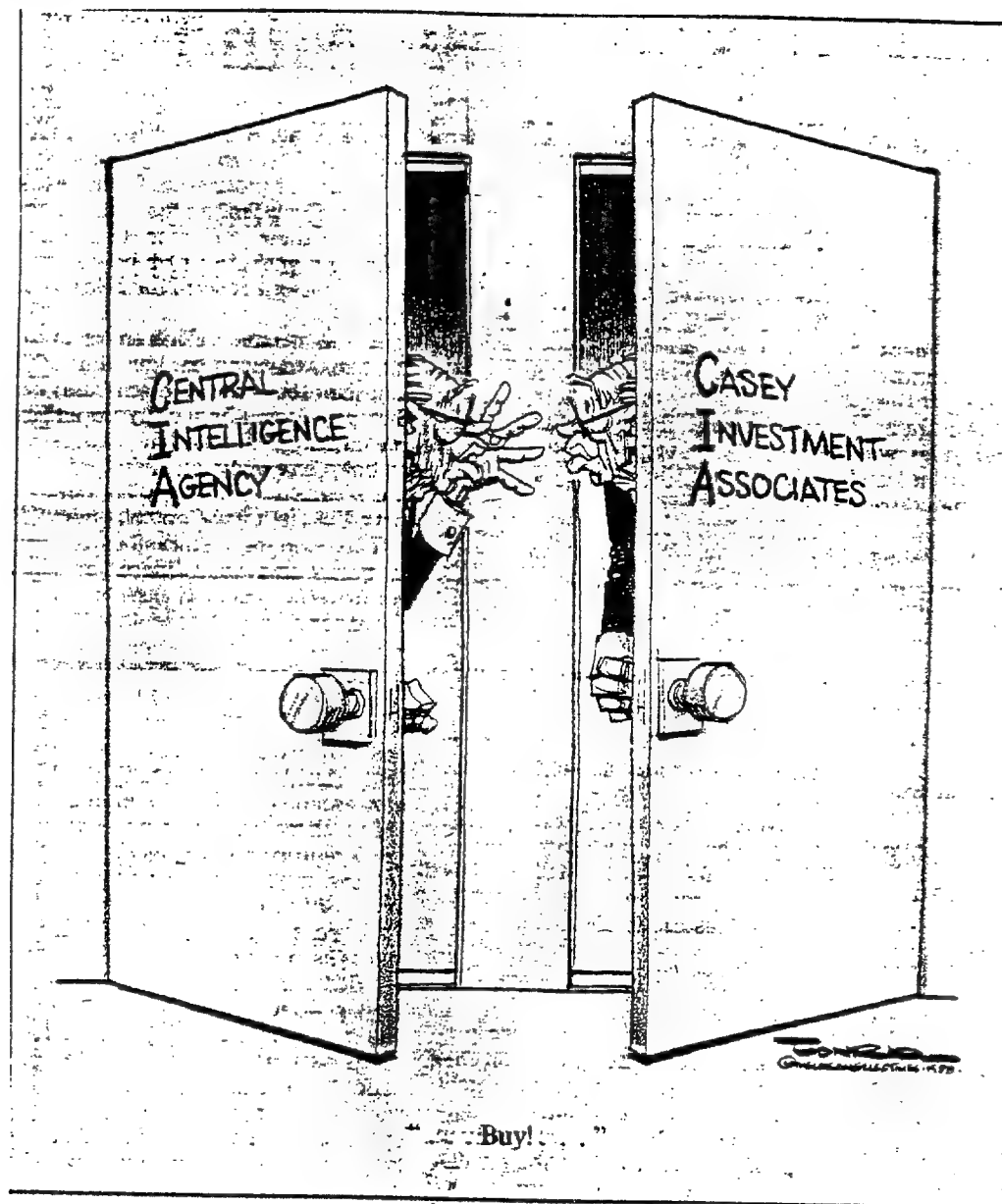
Ardeshir Zahedi, America's greatest host while posted here as the shah of Iran's ambassador, blew into town for two days, saw friends at the State Department and in the Senate, visited his former social secretary Jaleh Yazdan-Panah of the prominent Iranian family, who lies seriously ill at Georgetown University Hospital, and attended the OSS dinner at the Washington Hilton where former CIA director and ambassador to Iran Richard Helms was honored with the Bill

Donovan Award.

Zahedi, looking even more full of health and vitality than on his last visit, also attended Henry Kissinger's birthday bash in New York. At the OSS dinner he was the guest of noted oilman John Shaheen. We all remember Shaheen's efforts to start a newspaper in the Big Apple, the New York Press, and the divine eight-day voyage to Bermuda he threw aboard the Queen Elizabeth 2 to publicize the venture, as well as that other time he chartered the QE2 to take 1,200 friends to the dedication of his oil refinery in Newfoundland. Those were the glamorous days.

Honoree Helms spoke for only 10 minutes at that dinner, but devoted all that time to America's need for in-depth institutes to study and understand Iranian, Soviet, etc., leaders and methods. "It's open knowledge in our government that we do not know how the Saudi royal family arrives at its decisions. The same applies to the Russian leadership," he said.

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5 June 1983



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MIAMI HERALD
5 June 1983

Policy may now reflect tough talk

By ALFONSO CHARDY
Herald Washington Bureau

WASHINGTON — President Reagan and his inner-circle of advisers have taken direct control of U.S. policy on Central America in a move that may toughen the administration's role in the turbulent region.

A hardened position would be clearly in tune with recent Reagan rhetoric about the priority he places on stopping Marxist subversion in Central America. Since March, the President has made six major speeches that touched on the issue, including an exceptional appearance before a joint session of Congress April 27 in which he warned that the region's violence could threaten "the safety of our homeland."

Speculation that the tough Reagan position will get tougher gained currency May 27 with the ouster of Thomas O. Enders as the State Department's chief Latin American specialist. Administration officials said Reagan personally ordered Enders' dismissal.

Reagan has since stressed that Enders' dismissal as assistant secretary of state for inter-American affairs did not mean a change in policy. "Contrary to some reports... we are not changing the policy I outlined to the Congress," he said Wednesday.

But interviews with half a dozen State Department and White House officials indicate that Enders' removal could result in any or all of these developments:

- More active and overt support for pro-American governments in Guatemala, El Salvador, Honduras and Costa Rica, as well as the CIA-backed rebels fighting Nicaragua's leftist regime.

- Preparation of a reluctant American public for increased U.S. military involvement in Central America, perhaps even including the dispatch of U.S. combat troops.

- An end to the interagency feuds on Central American policy that sometimes created the impression both here and abroad that the United States was confused on how to deal with Central America.

- New tactics in dealing with Congress, which has failed to enact Reagan's Caribbean Basin Initiative, cut part of his requests for military assistance to El Salvador and tried to curtail CIA assistance for anti-Sandinista guerrillas.

- More personnel changes.

The day Enders' departure was announced, the Pentagon and State Department released a strongly worded background paper on Soviet-Cuban-Nicaraguan meddling in Central America. Enders was said to have opposed it as "warmed-up leftovers." At the same time, administration officials announced a decision to send 100 additional U.S. military advisers to Honduras and leaked a proposal to send 20 or 30 others to Guatemala.

Some State Department officials said these developments could reflect a desire on the part of some White House officials to prepare public opinion for an escalation of U.S. involvement in the region.

Hard-line White House and Pentagon officials contend that only an increased and more active U.S. military presence in Central America would check the advance of leftist guerrillas in El Salvador and the growing military buildup in Nicaragua.

Privately, these officials say they believe that only a dramatic increase in the number of U.S. military advisers in El Salvador — from the present 55 to 100 or 200 — will bring about victory.

Some of the Pentagon experts also argue that a limited number of advisers should be given permission to accompany Salvadoran units on combat operations in guerrilla-controlled areas.

This differs sharply with Enders' formula for El Salvador. He sought not a military victory, but only enough U.S. military aid to help the

local government hold off the rebels while it pressed for social, political and economic reforms to eliminate the roots of the conflict.

Although some of Enders' friends believe his removal does not spell any major change in policy — "It can't go any further to the right than it already has," quipped one of them — many say that his departure clears the decks for harder U.S. initiatives.

A State Department source sympathetic to Enders said that "circumstantial evidence" suggests that Reagan may be considering deploying U.S. combat units in Central America — not necessarily in the actual conflicts of El Salvador or

Nicaragua but on the periphery, perhaps Honduras — to act as a deterrent force.

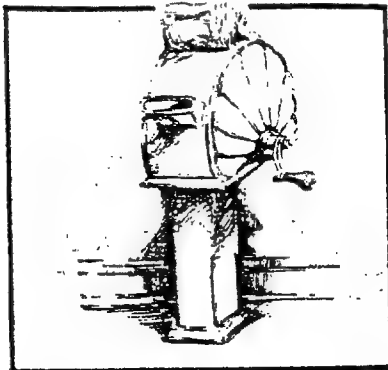
Pentagon sources said that such a deployment would only be likely in the event of war between Nicaragua and Honduras or a dramatic increase in the number of Cuban military personnel in Nicaragua.

A legislative aide to an influential Democrat on the Senate Foreign Relations Committee commented that Enders' removal and a Reagan statement May 27 "clearly indicated" to him that the White House was considering deploying U.S. troops.

Although Reagan had steadfastly ruled out the possibility of sending combat troops to Central America, he seemed to change his stance in a chat with reporters just before the Williamsburg summit at the end of May.

DAVENPORT QUAD CITY TIMES (IA)
5 June 1983

Casey still wheeling



Since CIA Director William Casey wouldn't accept a blind trust last year to handle his \$3 million worth of stock in two dozen corporations when he was on the national carpet for dubious market wheeling-and-dealing, there isn't much chance that he will clean up his act after mere reports of new high-rolling.

Casey isn't like any other bull or bear in the market. He heads the Central Intelligence Agency and is positioned to receive secret and sensitive information with economic implications. His predecessors established a blind trust for their private investments so there would be no hint of conflict that they were parlaying secret government information into stock market bonanzas.

But not Casey. When the heat was on his stock transactions, he set up some Mickey Mouse arrangement that put a couple of CIA subordinates in the position of watchdogging his market activities. Imagine a CIA underling telling his boss not to pounce on a possible market fortune for the sake of ethics. That likely didn't happen when Casey joined the bull market last year with transactions worth a few million. Asked whether Casey subordinates ever waved him off a stock deal, a CIA spokesman wouldn't say because such information is available only to congressional overseers of the agency. How convenient.

Casey, formerly President Reagan's 1980 national campaign director, got his CIA post on the basis of the spoils system. While little was expected of him because he lacked knowledge in the intelligence field, the people at least might expect his appearance of serving them more than himself.

There simply can be no blind trust in Casey until there is a blind trust for Casey.

MINNEAPOLIS TRIBUNE (MN)
5 June 1983*file copy*

William Casey's ethical myopia

William Casey's private business dealings have caused repeated trouble during his tenure as CIA director. Within months of assuming the post, he was accused of failing to reveal numerous business dealings in a required disclosure statement. The Senate Intelligence Committee investigated and confirmed many of the allegations. Casey failed to report investments of more than \$250,000, debts of nearly \$500,000, four lawsuits, service on the boards of corporations and foundations, and more than 70 legal clients. Nonetheless, the committee concluded, Casey was not "unfit" to serve. Praise that, but perhaps still too kind in light of more recent information.

Casey's position gives him access to some of the most closely-held information on the world economy. But unlike his two predecessors, Casey declined to put his investments in a blind trust. In his disclosure statement for 1982, reported last week, Casey revealed that he had sold and purchased millions of dollars in stock during 1982, including securities in sensitive industries such as oil, computers and airlines.

The appearance of conflicts of interest — and the damage it does to Casey's credibility — is obvious, except to the director and his aides. His associates say they help Casey avoid ethical problems by screening his public duties. They steer him clear of decisions that would create a conflict of interest with his stock holdings.

Now that's novel: a public official avoiding public duties that might conflict with his private business, which he refuses to relinquish. It bespeaks an uncommon arrogance — a demand that the country take Casey on his imperious terms.

Casey has turned the ethics and philosophy of government service upside down. He entered public life willingly, knowing it would require financial sacrifice. His appropriate course is to do what others have done — employ a blind trust or other mechanism to avoid private dealings that conflict with public duties. If Casey is unwilling to make that commitment, he is unfit to serve, and should leave public life.

5 June 1983

Casey on Wall Street

There's a disturbing entry in the financial disclosure report filed the other day by CIA Director William Casey. It turns out that the nation's intelligence chief was doing a lot more last year than supervising our network of spies abroad. He was extremely busy on Wall Street, buying and selling stocks valued at several million dollars and ending the year with assets valued at possibly more than \$8.2 million.

Multimillionaires are not a rarity in the Reagan administration, or any previous administration for that matter. Most top officials come from big salary jobs in private life and take a sharp pay cut when they enter government service. But the general practice is for cabinet-level officers to put their wealth in blind trusts over which they have no control, as long as they are working for Uncle Sam, to avoid any conflict of interest.

Not so with Casey—and he's one official who is wide open for such conflicts, given his access to secret economic information that could give him the inside track on what stocks to buy or sell. The CIA assures us that it is keeping tabs on Casey's dealings and that everything is above board. Sorry, but such in-house scrutiny of the boss in a closely knit outfit like the CIA doesn't impress us. Casey should keep his hands out of the stock market and concentrate on the job for which he is being paid.

BUFFALO NEWS (NY)

5 June 1983

Self-Policing at CIA

In 1981, it was revealed that Central Intelligence Agency Director William J. Casey had not placed his private investments in a "blind trust" when he took over the leadership of the agency. President Reagan and other high officials with access to sensitive information have set up such trusts to avoid any appearance of conflicts of interest.

In spite of valid criticism, Mr. Casey and his wife bought stocks worth between \$1.9 million and \$4.5 million. Their outside income was at least \$478,600 and possibly \$959,600, mostly from dividends and capital gains.

Mr. Casey is one of a handful of people to have access to the worldwide monitoring system of the CIA. He would be one of the first persons in the world to know of developments that might affect the stock market — for example, an oil glut or shortage, crop disasters or revolutions. In 1981, Mr. Casey sold \$600,000 worth of oil stocks, a move that proved to be perceptive as the oil glut developed and the price of oil stocks plunged. Many other investors, of course, saw the oil glut developing and sold out in time, and it is not known whether Mr. Casey had any inside information. But the situation carries an obvious possibility of a conflict of interest.

While Mr. Reagan and others have set up blind trusts, such a course is unfortunately not demanded of members of the administration. In a gesture toward regulation, the CIA has now established a "screening" arrangement under which senior CIA officials check over Mr. Casey's stock transactions for any possible conflicts of interest.

This, however, is a kind of self-policing that would be considered laughable if it were allowed in private corporations. Corporate officers are barred from making stock transactions based on "insider" information, and their actions are reviewed by an independent agency, the Security and Exchange Commission.

Mr. Casey, of course, is not supposed to use any information not in the public domain for his own private gain, and we are not suggesting that he is doing so. But with the worldwide network of the CIA at his fingertips, Mr. Casey must have just about the best stock advisory service in the world. To avoid any appearance of using the CIA as his own private preserve, Mr. Casey should follow the example of his predecessors as director and of other members of the administration and place his investments in a blind trust beyond his direct control.

5 June 1983

Error by the Mighty Casey

file only

Probably none of us knows enough to pass fair judgment on the professional performance of Reagan campaign chairman William J. Casey as director of the Central Intelligence Agency. He may be doing a great job, or he could be rotten.

But anyone with a lick of ordinary insight knows Casey shouldn't be allowed to manage his private multi-million-dollar investment portfolio while occupying such a sensitive national intelligence position.

President Reagan and several of his administration's top associates who make economic policy quickly established a blind trust for the management of their private investments. So did Casey's two immediate predecessors at the CIA. Both Stansfield Turner and George Bush were well aware that whoever is the nation's intelligence czar has access to a wealth of secret information on which private millions could be made.

Nevertheless, Casey apparently insisted on keeping personal control of his own investments, and President Reagan foolishly allowed — and yet allows — him to get away with it. Two of Casey's subordinates at the CIA are supposed to stop him from making decisions that would create a conflict of interest. That's rich.

Because there is no law or regulation requiring the CIA chief to turn control of his investments over to a blind trust, the nation having relied on past executives to do the right and honorable thing, we suppose there's no alternative now but to peg such a law to the books.

Michigan Sen. Carl Levin Friday said he'll introduce the appropriate legislation if President Reagan fails to get Casey to see the light of propriety.

Levin should proceed regardless. The Congress needs to protect Casey from himself.

TEMPLE TELEGRAM (TX)
5 June 1983

CIA Chief Shouldn't Play Market

Government officials should not profit financially from their public positions. At any time when there is a conflict of interest between public responsibility and private profit, the government official should either put the public interest first or resign before reaping the private reward.

Central Intelligence Agency Director William Casey has released a financial statement that shows he traded heavily in stocks and other securities in 1982. Casey is a former chairman of the Securities and Exchange Commission. He was a Wall Street lawyer. He has the stock market in his blood.

Last year, when the stock market began to move upward, it would have been hard for a man who followed the ticker tape by instinct not to buy and sell. There is nothing wrong in mak-

ing a profit; our system is based on it. But there is something wrong with trading stocks on inside information gained from employment by the government.

As CIA director, Casey sees all kinds of secret documents regarding sensitive negotiations and contracts that could influence stocks. Anyone who has traded in stocks knows that it is difficult to remember when such information, buried in the memory, may surface as a hunch to buy this or sell that stock.

The problem, at minimum, is the appearance of conflict of interest. Casey's two immediate predecessors as CIA director, Stansfield Turner and George Bush, put their portfolios in blind trusts. Casey should follow their example or, if he prefers to play the market, do so as a private citizen.

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MIAMI HERALD
5 June 1983

Central America: Point of View

Forward or backward, our belly will hurt

By TOM POLGAR

In 1964 I had the privilege of talking about Vietnam with the late Sen. Richard Russell of Georgia, then chairman of the Senate Armed Services Committee. Russell said the situation of the United States in Vietnam reminded him of a scene he once witnessed back in Georgia, that of a cow hung up on a picket fence. The cow could not go forward, she could not go backward, and all the time the picket was hurting her belly.

Some 10 years later, as I was climbing to the roof of the American Embassy in Saigon for the helicopter ride that would terminate my service in Vietnam and end two decades of intensive U.S. engagement in that distant part of the world, I recalled the words of the late senator from Georgia.

Now in 1983 the United States again seems to be hung up on a picket fence, this time closer to home, in Central America. We cannot go forward and seek to clear up the situation through a massive military intervention, because Congress and public opinion would not accept such a solution. We cannot go backward and disengage from El Salvador, because we have elevated that small country into a test case of U.S. prestige and resolve and into a symbol of U.S. determination to resist the spread of Marxist-Communist regimes in Latin America. In the meanwhile, while we are seeking a politically acceptable settlement of the civil war, the pickets are hurting our belly and the pain may be a continuing one.

The recently announced transfers of Thomas Enders, assistant secretary of state for inter-American affairs, and Deane Hinton, U.S. ambassador in San Salvador, and their replacements by people without experience in their respective new areas indicate the administration's dissatisfaction with the progress in reaching a solution to the problems of El Salvador through diplomacy. Unfortunately, it suggests also that the professional objec-

tivity and caution of the career Foreign Service officers will not be allowed to stand in the way of attempts to resolve the situation through more direct and less conventional means, including use of what the press likes to call covert action.

What is covert action? A pragmatic definition of covert action is this: A government effort to fulfill national policy objectives abroad through intelligence channels.

While the term "covert action" may be new to much of the American public, the concept is as old as written history. It is one of the several means available to a government for the implementation of its objectives. No major power would ever preclude the use of covert action as a matter of principle.

The "Trojan horse" — the introduction of Greek soldiers into the fortress town of Troy by hiding them in a large wooden horse, ostensibly a gift to the town — was an early example of effective covert action.

More recent examples on which there is considerable literature, as well as controversy, include the British-American operation to oust Prime Minister Mohammed Mossadegh of Iran in 1953; the 1954 CIA project to remove from power the elected president of Guatemala, Jacobo Arbenz; the Israeli rescue of hostages in Entebbe; the Soviet manipulation, through numerous front organizations, of the anti-war sentiment, particularly in Western Europe, and the CIA's "secret war" in Laos.

The Bay of Pigs project remains as a reminder of all the things that can go wrong when an operation is based on false assumptions.

Perhaps because many people confuse covert action with "dirty tricks" — which can but need not be part of a specific covert action project — or perhaps because they are opposed to the objectives that the government seeks to attain through covert action, there appears to be a certain amount of opprobrium attached

to the concept. Many, whose patriotic and anti-Communist motivation cannot be questioned, feel uncomfortable about covert action and are concerned that its use invokes difficult questions of morality, integrity and perhaps also of law.

Perhaps so, but in these respects covert action is no different from other means of policy implementation. The biblical commandment, "Thou shalt not kill," is reflected in all of our religions and is firmly anchored in the criminal laws of all countries. Yet there are many circumstances in which killing is excused, tolerated, allowed, encouraged, ordered and praised. It depends on who does the killing, on the circumstances, on motivation and a whole series of other factors. On the other end of the scale, sexual activity, the source of life, is clearly encouraged and tolerated in certain circumstances while deemed indecent, illegal or prohibited under others. Covert action is not immoral or illegal. It is neutral. It is an age-old technique by which governments seek to influence events and alter conditions in their favor. The policies being implemented by covert action — and the specific covert action or actions being utilized — may well be immoral or illegal or both.

The 17th-Century British poet, John Dryden, wrote:

*"Treason never prospers.
"What is the reason?
"Why, if it prospers
"None dare call it treason."*

It goes something like that with covert action, too. If it is successful, there are few complaints — except from the defeated side. If the covert action fails, or goes on too long, or reaches dimensions that preclude secrecy, then it will attract controversy and condemnation, with opponents caring little whether they are beating the donkey or the saddle — that is, the policymaker, the operational concept or the executing agency.

CONTINUED

'New' CIA deepens U.S. involvement

By ALFONSO CHARDY
And JUAN O. TAMAYO
Herald Staff Writers

WASHINGTON — They were known as the CIA's "Family Jewels," the private sins whose public airings virtually destroyed the agency's capacity for covert action in the mid-1970s.

Eight plots to assassinate Fidel Castro. Destabilization of Salvador Allende's administration in Chile. The Bay of Pigs. The overthrow of the Diem regime in Vietnam. Snooping on American students. Opening U.S. mails.

Throughout the late 1970s, the CIA's strong-arm specialists moped, retired early or were fired as a post-Watergate Congress shined the bright light of morality on the dark corners of the spy underworld.

But now many of the CIA's covert action experts have come in from the cold, lured out of inactivity by President Reagan's vows to pull up America's socks in a worldwide contest with the Soviet bloc.

Reagan's "new" CIA has launched at least 11 covert campaigns since he walked into the White House, by far the highest number since the agency's salad days in the 1960s, U.S. intelligence sources say.

The biggest of them — in fact, the biggest CIA operation since the Bay of Pigs — is in Central America, where Reagan sees leftist subversions being fueled by Nicaragua, Cuba and the Soviet Union.

And now, public disclosures of the Central American covert operation have brought new criticism of the CIA. The controversy has grown into one of the most heated in Washington today.

Liberal congressmen want to squash the CIA campaign. There are fears that it could help trigger a war between Nicaragua and Honduras. There are high-sounding arguments that the world's leading democracy should not stoop to

international skulduggery.

Administration officials adamantly defend the covert operation, saying it is an essential part of a three-legged campaign to stem the spread of Marxist insurrection in the region between the Panama Canal and Mexico's oilfields.

The campaign combines U.S. military aid to U.S. allies fighting leftist subversion, U.S. economic aid to erase the social inequities that fuel revolutions, and CIA funds to attack the perceived root of much of the trouble — Nicaragua's leftist Sandinista government.

In the past two years, Reagan has pumped more than \$1 billion in economic aid and \$218 million in military assistance into Central America — not counting the \$19.5 million for the CIA operation.

The number of U.S. military personnel stationed in Honduras will soon rise to about 300. Fifty-five U.S. military advisers are stationed in El Salvador, and Reagan is reportedly considering sending up to at least 50 others to Guatemala. Even Costa Rica, which doesn't have an army, has received U.S. military aid.

The economic aid requests have had easier sailing through Congress than proposals for military assistance. While agreeing largely on the Marxist threat to Central America, members of Congress dissent heartily over Reagan's accent on military assistance.

Unwilling to face future charges that it "lost" El Salvador, Congress grudgingly approves only part of the Reagan requests for military aid — and wraps them in a spider's web of demands for progressive reforms by the Salvadoran government.

In recent weeks, the dispute over Reagan's approach to Central America has spilled over into the executive branch, essentially pitting the National Security Council against officials in the State Department.

NSC chief William Clark and the U.S. ambassador to the United Nations Jeane Kirkpatrick, both hardliners on Central America, are now said to have the strongest voices on policy.

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The platform vowed Reagan would "seek to improve U.S. intelligence capabilities for technical and clandestine collection, cogent analysis, coordinated with counterintelligence and covert action."

It also deplored Cuban and Soviet intervention in Central America and "the Marxist Sandinista takeover of Nicaragua." More significantly, it promised to "support the efforts of the Nicaraguan people to establish a free and independent government."

Reagan had been campaigning for the GOP nomination as Central America virtually went up in flames. In mid-1979, Sandinista guerrillas toppled Nicaraguan President Anastasio Somoza. Six months later, Marxist insurrections exploded in neighboring El Salvador and Guatemala.

Congressional sources with access to intelligence information say that a few days after the GOP adopted its 1980 platform, several former CIA officials began forging the framework of a covert program to restore the agency's "strength" around the world.

These former CIA officials were described as "old-timers," some of them covert action specialists dismissed by the hundreds in the 1977-1978 housecleanings that followed congressional investigations — the so-called Family Jewels.

CONTINUED

5 June 1983

Casey's stock dealing

Every administration seems to have one or more officials whose personal financial wheelings and dealings teeter along the edge of impropriety and sometimes slip over — to the embarrassment of the president.

Currently in the news is Ronald Reagan's former campaign manager, William J. Casey, who is now director of central intelligence.

CASEY IS the fellow who won the "not unfit to serve" designation from the Senate intelligence committee after questions were raised about his previous financial and legal activities and his hiring a friend with no experience to direct CIA clandestine operations.

Now Casey's mandatory financial disclosure statement shows him dealing heavily in stocks and securities last year — with twice the transactions of the year before — especially in the oil, computer, airline and drug industries.

This is noteworthy because as CIA director, Casey is one of only a handful in government with access to secret information on world economic trends (such as oil production and sales figures).

Also unlike his two predecessors at the CIA and unlike a number of other top administration officials, Casey has not put his stock holdings into a blind trust.

Day-to-day decisions on his portfolio are made by a financial adviser, but Casey knows what is bought and sold. A reasonable person might wonder if what Casey the CIA director learns might not sometimes influence what Casey the venture capitalist does.

And while a screening committee at the CIA is supposed to prevent Casey from making decisions that would create a conflict of interest with his holdings, the secretive nature of the agency makes it impossible to know if or how well that is working. Again, there is reason for reasonable doubt.

THE ISSUE, then, is the need for government officials, and especially high ones in influential positions, to avoid even the appearance of possible impropriety or conflicts of interest.

With Casey, the appearance, and the attendant insensitivity, is disturbing.

« CONTINUED »

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ON PAGE 49

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400080001-8

5 June 1983

EDITORIALS

Casey on Wall Street

There's a disturbing entry in the financial disclosure report filed the other day by CIA Director William Casey. It turns out that the nation's intelligence chief was doing a lot more last year than supervising our network of spies abroad. He was extremely busy on Wall Street, buying and selling stocks valued at several million dollars and ending the year with assets valued at possibly more than \$8.2 million.

Multimillionaires are not a rarity in the Reagan administration, or any previous administration for that matter. Most top officials come from big salary jobs in private life and take a sharp pay cut when they enter government service. But the general practice is for cabinet-level officers to put their wealth in blind trusts over which they have no control, as long as they are working for Uncle Sam, to avoid any conflict of interest.

Not so with Casey—and he's one official who is wide open for such conflicts, given his access to secret economic information that could give him the inside track on what stocks to buy or sell. The CIA assures us that it is keeping tabs on Casey's dealings and that everything is above board. Sorry, but such in-house scrutiny of the boss in a closely knit outfit like the CIA doesn't impress us. Casey should keep his hands out of the stock market and concentrate on the job for which he is being paid.

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ON PAGE A-3

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400080001-8
5 June 1983

Shultz Replaced Latin Aides as of a Reagan Pact

By BERNARD D. GWERTZMAN

Special to The New York Times

WASHINGTON, June 4 — Secretary of State George P. Shultz agreed to replace his two chief advisers on El Salvador as part of an arrangement he worked out with President Reagan 10 days ago to regain control of day-to-day management of Central American policy, well-placed Reagan Administration officials say.

The officials added that the two, Thomas O. Enders, Assistant Secretary of State for Inter-American Affairs, and Deane R. Hinton, the Ambassador to El Salvador, were also dropped in an effort to end a bitter fight over that policy that had spread throughout the Administration.

In interviews in recent days, the officials said Mr. Enders and Mr. Hinton were replaced after a meeting between Mr. Shultz and Mr. Reagan at the White House. They said Mr. Shultz sought the meeting after Mr. Enders complained that the appointment by the White House of Richard B. Stone as a special envoy to Central America had raised further questions over whether the State Department was still in control of policy.

Dual Approach Reaffirmed

The main question, Mr. Enders reportedly said, was whether the Administration was committed to a dual approach of aiding El Salvador militarily while encouraging the start of a dialogue among the various countries and factions involved or whether, looking for a quick solution, it would place much more emphasis on military success.

According to aides to Mr. Shultz, the President told him that he remained committed to the dual approach publicly stated in his speech on Central America of April 27. The approach was long favored by Mr. Enders and Mr. Hinton, who have argued privately and publicly that it will take considerable time and patience to see any results in El Salvador. But interviews with officials in various agencies indicated that there are many who believe that a more dramatic approach by the President is needed to turn the tide.

According to a Shultz aide, Mr. Enders also acknowledged that his own personality may have contributed to feuds with White House, Defense Department and Central Intelligence Agency officials. One official noted that Mr. Enders had said it might be time for him to move to another post.

Mr. Shultz, in his conversation with Mr. Reagan, came to the conclusion that he had to "sacrifice" both Mr. En-

ders and Mr. Hinton, who for different reasons had run afoul of the White House, in order to re-establish the lines of policy, a senior State Department official said.

"The Secretary told the President," an aide said, "that we have to have a clear policy. There are too many people involved. We have to have the management of Central American policy run from the Assistant Secretary to the Secretary of State to the President."

"The President agreed with the thesis," the aide went on. "But part of the agreement involved the personnel changes of Enders and Hinton."

The changes, first announced last weekend, dramatized the tensions that had arisen in recent months between Mr. Enders and the National Security Council staff, headed by William P. Clark, as well as between Mr. Enders and certain senior officials in the C.I.A. and in the Pentagon.

Much of the problem, officials from all agencies agreed, involved personality clashes. Mr. Enders, at six-foot-eight, is an imposing and sometimes dominating figure, physically and intellectually. Close aides said he felt that many other Reagan officials did not understand what was going on in Central America and failed to realize that Congress would not support a major military and economic commitment to El Salvador, particularly one that could lead to the involvement of American forces or a major increase in the number of American advisers there.

As an example, aides cited the incident of the recent white paper on Communist subversion in Central America.

They said the C.I.A. produced the paper many months ago with the idea that it would be made public by the State Department. State Department officials said Mr. Enders and his staff decided that not only did the paper provide no new information of consequence but that it was written in too tendentious a manner.

"Tom decided to just sit on it," one official said. After several months, William J. Casey, director of Central Intelligence, complained, as did Mr. Clark.

State Department Yields

A major dispute broke out two weeks ago over the issue, with the State Department finally giving in to the C.I.A. and White House and making public a revised version on May 27, a few hours before Mr. Shultz announced that Mr. Enders was being replaced by Longhorne A. Motley, the Ambassador to Brazil.

Mr. Enders himself has declined to be interviewed since his transfer was announced.

The dispute over Mr. Stone was more significant than the white paper, officials said. The idea of appointing a special envoy had originated with Representative Clarence D. Long, Democrat of Maryland, who is chairman of a key House Appropriations subcommittee. He made his approval of the Administration's request to transfer military aid earmarked for other countries to El Salvador conditional on sending a special negotiator there.

But when the White House decided to name Mr. Stone as Ambassador at Large for all of Central America, the move was perceived by Mr. Enders — and eventually by Mr. Shultz — as an effort by the White House to circumvent the State Department. Mr. Shultz has now reached an understanding with the White House, an aide said, that Mr. Stone will report to him and that his actions will be monitored closely by the department.

Mr. Enders's policy problems began last year, his aides said, when he backed Mr. Hinton's efforts to persuade Salvadoran politicians not to allow the right wing to take power after it did surprisingly well in elections. He felt that a government led by Robert d'Aubisson, the rightist leader, would not obtain enough Congressional backing in Washington.

This approach had the White House's backing in 1982, but as the State Department began to press for more democratization in El Salvador, some criticism began to be heard of Mr. Enders in conservative publications, his aides said. And when Mr. Hinton gave an address, supported by Mr. Enders, attacking the far-right "death squads" in El Salvador, White House officials said they had not cleared the speech. This, officials said, undercut Mr. Hinton's efforts in El Salvador and caused severe friction between Mr. Clark and Mr. Enders.

WASHINGTON HAILS ANDROPOV APPEAL FOR WARMER TIES

U.S. IS A 'READY PARTNER'

State Dept. Says It's Serious About Following Up Soviet Remarks to Harriman

By HEDRICK SMITH

Special to The New York Times

WASHINGTON, June 3 — The State Department today welcomed an appeal from Yuri V. Andropov for improved relations and asserted that if Moscow was ready "to take concrete steps" it would "find a ready partner" in the Reagan Administration.

"For our part, the U.S. approach to relations with the Soviet Union is serious and seeks to explore realistic ways of cooperation to mutual advantage," Alan D. Romberg, a State Department spokesman, said. "Our diplomatic dialogue with the Soviet Union on all outstanding issues is intensive and comprehensive, and will continue."

On Thursday Mr. Andropov, talking with W. Averell Harriman, a former United States Ambassador to Moscow and a longtime specialist on Soviet affairs, said the Soviet leadership was "ready and interested in seeking joint initiatives" that would improve relations with Washington.

A Shift From Polemics

The public exchange marks a shift away from the sharp polemics between Moscow and Washington in recent weeks. It came as senior Reagan Administration officials, told by Western allies that the new Soviet leadership was interested in a top-level meeting, were privately discussing the prospects and conditions for a possible meeting between President Reagan and Mr. Andropov.

But such a meeting would have to bypass the current stalemate in arms negotiations. The talks have been deadlocked throughout the Reagan Administration.

Some of the President's close advisers reportedly favor a summit meeting that would deal with issues of less controversy to "break the ice."

"A Crucial Watershed"

Other Presidential advisers have argued that holding a summit meeting with a limited agenda would be neither wise nor possible. These advisers, officials said, want to see how Moscow responds to shifts in the Administration's strategic arms proposals, some of which are due for approval by the President next week and presentation to Soviet negotiators soon after.

"The Soviet response could be a crucial watershed," one White House official said. "We will wait to see if they give us a propaganda blast. But if the Soviets are signaling a positive response to what they see already and will hear from us, there's the possibility of an opening."

Tensions between Washington and Moscow have built up particularly sharply since the Soviet intervention in Afghanistan in December 1979.

In addition, the Reagan Administration, protesting the Soviet encouraged repression of the independent union Solidarity in Poland, sought to impose an embargo on equipment for the Soviet natural gas pipeline to Western Europe. The Kremlin accused the White House of waging "economic warfare."

President Reagan and Mr. Andropov have also clashed several times this spring over the Soviet arsenal of SS-20 medium-range missiles targeted against Western Europe, and Western plans to deploy American Pershing 2 and cruise missiles late this year. Other continuing disputes have flared over Central America, Angola and human rights issues.

Mr. Reagan, who has said that he would accept a summit meeting if it could be properly prepared to insure concrete results, predicted Tuesday that there would be an improvement in Soviet-American relations despite sharp "rhetoric." But he gave no explanation for making that forecast at a time when many specialists said Soviet-American relations were unusually strained.

Privately, however, officials said the State Department was exploring with Moscow the possibilities of a new cul-

tural agreement and a joint move to open new consulates in Kiev and New York, and the Agriculture Department was reopening long-term grain negotiations with Moscow.

High-ranking Administration officials disclosed, moreover, that some Presidential advisers, such as James A. Baker 3d, the White House chief of staff, and Michael K. Deaver, the deputy chief of staff, have privately advocated a Reagan-Andropov summit meeting next spring.

Their approach would be to seek agreements on issues like grain trade, cultural exchanges and consulates, but to sidestep the difficult issue of arms control over which the two Governments have been deadlocked throughout the Reagan Administration.

A Major Motivation

Officials said a major motivation would be to help President Reagan in a campaign for re-election by easing international tension. A drop in tension would forestall criticism, as one official put it, that the President was "too much of a cold warrior to sit down with the Russians" and unable to reach agreements with Moscow.

Other top officials, such as Defense Secretary Caspar W. Weinberger; William P. Clark, the President's national security adviser; William J. Casey, the Director of Central Intelligence, and Jeane J. Kirkpatrick, the chief United States delegate to the United Nations, were reported to be resisting this approach.

The Weinberger-Clark-Casey group was generally said by high officials to be contending that the public would inevitably expect President Reagan and Mr. Andropov to deal with arms control issues and therefore would be sharply disappointed if a summit meeting did not yield some positive results in this area.

These officials were said to fear that, no matter how much advance effort was made to lower expectations, a political backlash might develop in the United States and Western Europe if a summit meeting did not produce agreement or substantial visible progress on arms issues.

For that reason, officials said, Mr. Clark and others regard the forthcoming round of strategic arms talks in Geneva as a particularly important test of Soviet intentions on the ground that President Reagan is planning to alter the Administration's strategic arms proposal in ways that will move it closer to Soviet proposals.

In addition, Mr. Clark is understood to be looking for some Soviet restraint in Central America to improve the climate for a Reagan-Andropov summit meeting.

He has told others that he was particularly disturbed at Moscow's delivery of five shiploads of Soviet military equipment at Nicaraguan ports in the

EDITORIALS

Mr. Casey Serves Two Masters

As director of the CIA, William J. Casey is a very busy stockbroker.

According to a financial disclosure statement for 1982, Mr. Casey bought and sold millions of dollars of stock in the course of the year, no doubt feathering his nest nicely for the day he leaves his government job. That's the job which the Senate Intelligence Committee once said, in brilliantly deadpan language, that Mr. Casey is "not unfit" to hold.

The report raises again the question of the fitness of a CIA director continuing to manage his own stocks through his financial adviser, despite the fact that he is privy to all sorts of secret information that could affect their value. Mr. Casey's two predecessors at the CIA established a blind trust for their investments while in the office.

To minimize the appearance of conflict of interest while Mr. Casey keeps his hand in his financial affairs, the CIA established a

complicated, high-level bureaucratic screening system to prevent Mr. Casey from getting into trouble.

But there is no justification whatever for putting the agency in the awkward position of having to police its own director's financial affairs. The CIA director should not be making decisions for his agency, sometimes using secret information about world economic conditions, while also making decisions about his own stock portfolio.

No screening system can erase the appearance that Mr. Casey is using his highly sensitive position in government — however obliquely, even unconsciously — to advance his personal fortune.

Mr. Casey ought to either put his investments in blind trust, or seriously consider devoting all his time to them, without the distraction of CIA responsibilities.

ARTICLE A...
ON PAGE A-6

CIA Director

The former director of the Central Intelligence Agency in the Carter administration, Adm. Stansfield Turner, says he cannot recall seeing information that would have been useful for private investment purposes.

Nevertheless the extensive activity on the stock market of the current CIA director, William Casey, is disturbing.

Casey's position, after all, does make available to him a vast range of information, some of it secret. If this information is not in fact useful in managing his investments, that fact is not evident to the public. The suspicion persists that Casey could take unfair advantage of his position to feather his nest.

A system has been set up to screen Casey's transactions to prevent him from making decisions that would create a conflict of interest. But this system is within the CIA and is operated by Casey's subordinates — hardly the most satisfactory arrangement.

It would be far better if the CIA director, like his immediate predecessors, placed his investments in a blind trust to avoid the possibility of a conflict of interest. The present situation is an obstacle to the CIA's efforts to gain public confidence.

ARTICLE A
ON PAGE A-8

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C.I.A. Chief's Assets Studied

WASHINGTON, June 3 (Reuters) — Senator Carl Levin said today that he would propose a law requiring William J. Casey, Director of Central Intelligence, to put his assets in a blind trust if Mr. Casey did not do so voluntarily.

The Michigan Democrat made the statement in a letter to President Reagan.

Mr. Casey reported in a required financial disclosure statement this week that he bought 56 stocks this year, many in August and September when the stock market began its current rise.

Senator Levin told Mr. Reagan a special committee of the Central Intelligence Agency, set up to screen Mr. Casey's investments to prevent a conflict of interest, must have trouble keeping abreast of his stock market investments.

"An even greater problem," Mr. Levin said, is that "there is no provision to prevent Mr. Casey from using information he has obtained from his unique position as director of C.I.A. to buy or sell stocks and securities for his personal gain."

SAN DIEGO TRIBUNE (CA)
3 June 1983

file only

CIA chief shouldn't play stock market

GOVERNMENT OFFICIALS should not profit financially from their public positions. At any time when there is a conflict of interest between public responsibility and private profit, the government official should either put the public interest first or resign before reaping the private reward.

Central Intelligence Agency Director William Casey has released a financial statement that shows he traded heavily in stocks and other securities in 1982. Casey is a former chairman of the Securities and Exchange Commission. He was a Wall Street lawyer. He has the stock market in his blood.

Last year, when the stock market began to move upward, it would have been hard for a man who followed the ticker tape by instinct not to buy and sell. There is nothing wrong in making a profit; our

system is based on it. But there is something wrong with trading stocks on inside information gained from employment by the government.

As CIA director, Casey sees all kinds of secret documents regarding sensitive negotiations and contracts that could influence stocks. Anyone who has traded in stocks knows that it is difficult to remember when such information buried in the memory may surface as a hunch to buy this or sell that stock.

The problem, at minimum, is the appearance of conflict of interest. Casey's two immediate predecessors as CIA director, Stansfield Turner and George Bush, put their portfolios in blind trusts. Casey should follow their example or, if he prefers to play the market, do so as a private citizen.

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ON PAGE A-8

WASHINGTON POST

3 June 1983

Sen. Levin Urges Casey To Put Holdings in Trust

By Howard Kurtz
and Mary Thornton
Washington Post Staff Writers

Sen. Carl Levin (D-Mich.) yesterday urged that CIA Director William J. Casey place his financial holdings in a blind trust, saying that Casey's heavy trading in the stock market last year "creates the appearance of using public office for private gain."

Levin was responding to the release of Casey's 1982 financial disclosure statement, which showed that Casey bought and sold millions of dollars in stocks and other securities last summer as the stock market was beginning a major advance.

Casey bought \$3.8 million to more than \$7.8 million in stocks, bonds and other securities last year, selling off other holdings to invest heavily in electronics and drug stocks, some of which have increased significantly in value.

Casey's longtime financial adviser, Richard Cheswick, said yesterday that he "had discretion to manage [Casey's] investments without consultation by him."

In a statement issued at Casey's request, Cheswick, a member of a Connecticut investment firm, said, "There have been no instances whatever during Mr. Casey's service as director of the Central Intelligence

Agency that he has provided me with any information or special analyses which could be used as an aid in making these decisions." Cheswick said that similar advice was "consistently applied to our other clients' portfolios . . . The stocks and bonds selected by us were deemed appropriate for his family's investment objectives."

Levin told President Reagan in a letter that unless Casey agrees to place his holdings in a blind trust, as several senior government officials have done, he will introduce legislation to require Casey to do so. A blind trust is an account that is managed by an adviser without the investor's knowledge.

A CIA spokesman has said that two other CIA officials review Casey's investments and recommend whether he should excuse himself from any matters because of possible conflicts of interests, but that such advice would not be made public.

Levin questioned how the two officials would "know just what issues might affect a particular company," adding, "It seems clear that the repeated stock transactions by Mr. Casey while he receives information on an ongoing basis as director of the CIA creates the appearance of using public office for private gain."

LOS ANGELES TIMES (CA)
3 June 1983*file only*

No High Road for Casey

From the founding of the Republic, two attitudes about conduct in public office have contested for the souls of its officeholders. Some public servants have used public office to get what they could while the getting was good, and others have held to the simple principle that the honor of public service should not be sullied by private ambition, private business or private profit.

Such fine points of scrupulous behavior have eluded William J. Casey, director of central intelligence.

Casey, whose position gives him access to great amounts of secret information on global economic trends, bought and sold several million dollars worth of stock in 1982. President Reagan and several Cabinet officers whose positions affect economic policy put their holdings in blind trusts on taking office; so did Casey's two predecessors at the CIA. Not Casey.

Not required by law to establish a blind trust, he announced that he would not, but would, rather, continue to oversee his investments, and would rely on two officials of the agency to prevent him from making any decisions that would create a conflict of interest with his stock holdings. That peculiar arrangement raised the possibility of his being prevented by his private interests from making decisions that he is paid by the people to make.

Even if Casey got no more information through the CIA than any canny investor could get from a close reading of the newspapers (and who will know?), the appearance of impropriety would remain. As Commerce Secretary Malcolm Baldrige, another rich man, said of his blind trust: "It's not how I see it; it's how others see it. In government, you're held to a higher standard." It seems to be too high for Mr. Casey.

3 June 1983

Private Gain From Public Post?

file only

By ignoring the conflict of interest rule followed by other senior Reagan administration officials, CIA Director William Casey is continuing to give the impression that he is using his government position for personal gain. Unlike other top officials and unlike his immediate CIA predecessors, Mr. Casey neither sold his stock holdings nor put them in a blind trust when he assumed office — although he has access to the government's most secret economic data. In 1981 Mr. Casey made a profitable sale of more than \$600,000 in oil stock at a time when CIA reports indicated a dropping oil market. Now it turns out that Mr. Casey traded heavily in the bullish 1982 stock market that started in August.

Figures on Mr. Casey's stock transactions were revealed in the financial disclosure statement that he, like other top officials, is required to file with the Office of Government Ethics. Last year he bought and sold several million dollars worth of stock

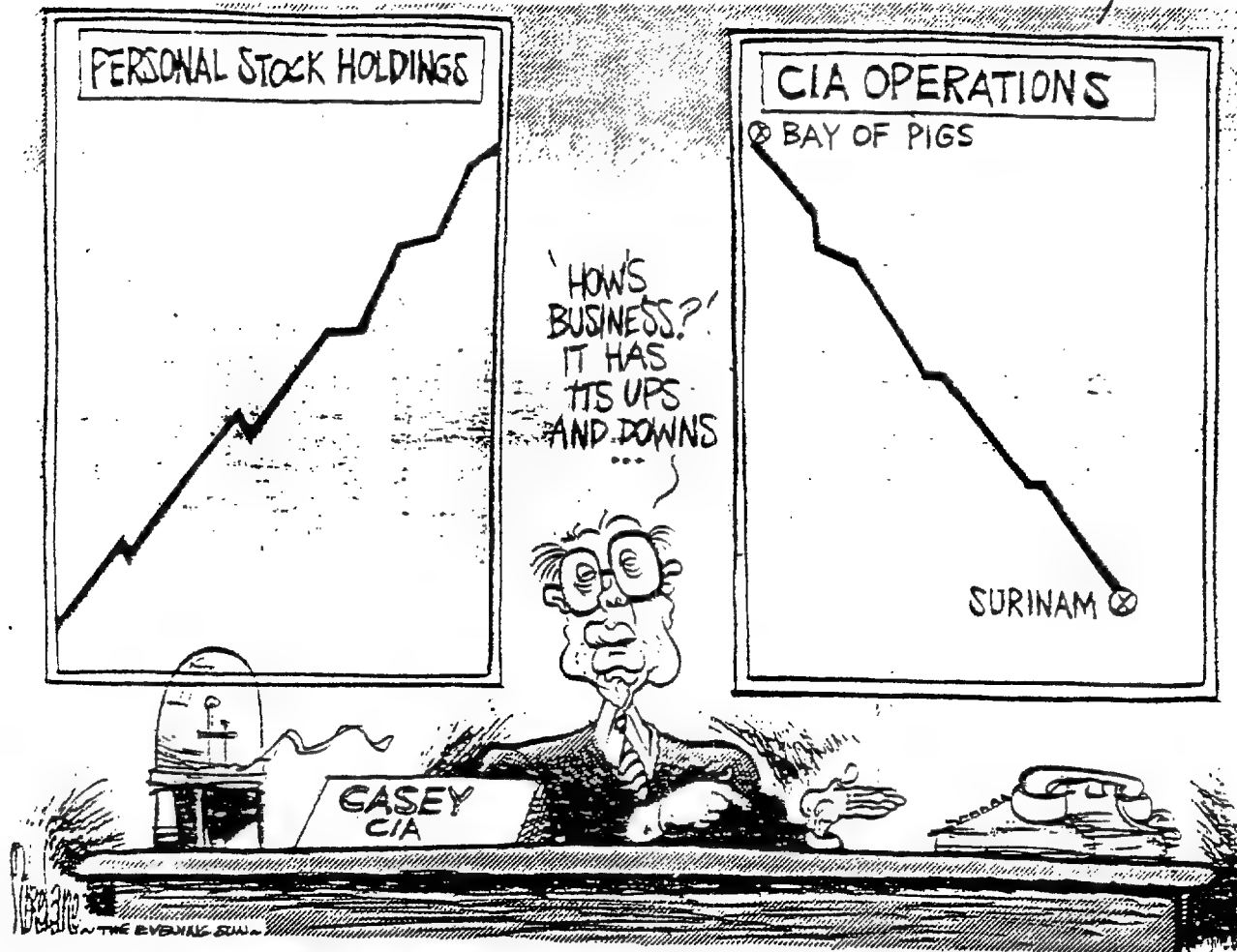
and other securities (the listing of exact amounts is not required). Who knows whether he profited from government information that other investors didn't have? The mere raising of the question is enough to suggest why the CIA director should not be allowed to make his own rules.

After Mr. Casey was criticized for disregarding conflict of interest standards, a screening system was set up that was supposed to separate his job from his investments. Under it, a committee made up of senior CIA officials was to monitor Mr. Casey's stock transactions and certain designated officials would either exclude the director from a policy decision that might affect his investments or allow him to excuse himself. A member of the Senate Intelligence Committee rightly labeled the scheme a "fig leaf" that would do little except waste the time of the officials involved. The latest disclosure statement offers no assurance that the fig leaf does any good.

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BALTIMORE SUN (MD)

3 June 1983

file only

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ARTICLE APPEARED
ON PAGE A-20WASHINGTON POST
3 June 1983

file copy

"THIS IS THE HOT LINE — IT'S TO
HIS STOCK BROKER"



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FOR PUBLIC AFFAIRS STAFF

PROGRAM The Today Show STATION WRC-TV
NBC Network

DATE June 3, 1983 7:15 AM CITY Washington, DC

SUBJECT William Casey's Finances

JUDY WOODRUFF: In the CIA, the Director makes millions on Wall Street that raises questions.

We'll look at those questions in a moment.

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BRYANT GUMBEL: CIA Director William Casey made millions on the stock market in 1982. This information was revealed in his financial disclosure statement.

With me James Needham, former Chairman of the New York Stock Exchange, and former SEC Commissioner. In Washington, Howard Kurtz, the Washington Post reporter who broke the story yesterday, and he has details of Casey's stock transactions.

So, let me start in Washington with you, Mr. Kurtz.

How much did Mr. Casey play, and how much did he make?

HOWARD KURTZ: Well, it's impossible to say exactly how much the CIA Director earned on the stock market, Bryant, because the financial disclosure form, which I have here, reports transactions only within broad ranges, which is the way the Congress set it up. However, we do know that he was quite an active player during 1982, making 136 separate transactions buying and selling stocks and securities. He bought between four and eight million dollars worth of stocks, and apparently he invested quite shrewdly.

GUMBEL: Howard, why was he allowed to keep his stocks and play them rather than place them in a blind trust as so many other Administration officials chose to?

KURTZ: Well, there's no law requiring Casey to place his holdings in a blind trust, which -- which would put to rest any questions about whether he is having access to information in his sensitive position as the Intelligence Director, and he has chosen not to do so.

Furthermore, the CIA, in departing from its usual "no comment" stance, says that two senior officials are reviewing his holdings and transactions to make sure there's no conflict of interest. But we -- we, the general public, are not being told what the results of that review are. So, the CIA is saying trust us.

GUMBEL: Mr. Needham, the general public's not allowed to trade on inside information. Do you think something's wrong with what Mr. Casey is doing?

JAMES NEEDHAM: Well, based on the facts available to me, and I spoke last night with the General Counsel of the CIA, Stanley ~~SPEAKEN~~ (?), who is the former Chief Enforcement Officer at the SEC, I'm not quite sure I understand what the fuss is all about.

First of all, no one broke a story. The one you're referring to appeared for the first on Wednesday in "USA Today," and, secondly, I think I ought to mention that Mr. Casey and I've been good friends for over 25 years.

GUMBEL: Don't you think some fuss should be brought about as a result of a man who's in a sensitive position privy to all the intelligence that he is privy to and is trading in the active manner that he is? Is that not trading on inside information?

NEEDHAM: Well, it depends on what you mean by fuss. I think the press has a responsibility to examine these publicly filed documents. That's one of the reasons why they're filed. And if the press decides that they want to inquire into them, I think that's part of their judgment, not mine.

But, based on the facts that I've seen and -- the comment was made that there was an ongoing investigation or an inquiry at this time -- as I understand the procedure, Mr. Casey had his assets in a blind trust, which he's now required to do. And, incidentally, a blind trust doesn't assure anyone of anything, because trustees can talk to the person who placed the assets in the trust. And, secondly, Mr. Casey's transactions were reported daily to the Office of the General

Counsel of the CIA. A member of the staff would go through that information and inform the division heads....

GUMBEL: But is that really an adequate safeguard when you have your own subordinates going through your materials and saying, "Hey, tell me when I'm wrong?"

NEEDHAM: Well, I am with the government now, and I was with it for three years. And what you're suggesting is that the career Civil Service employees are beholden to their immediate supervisor, and I can assure you that they're more loyal to the government of the United States than they are to an particular individual.

GUMBEL: Mr. Kurtz, in Washington, Mr. Needham seems to be willing to downplay most of this. What was the congressional reaction?

KURTZ: Well, there's been some glances cast askance on Capitol Hill, and all we have done in the Washington Post is raise questions about this. And Senator Carl Levin has been the most vocal critic. He says that the active trading, which I should mention began last summer when the stock market took off and Mr. Casey apparently was shrewd enough to be part of that rise, raises the question, which we can't fully answer because we don't have all the information, of whether Casey is using his office for private gain.

And some of the drug company stocks, and electronic stocks that Casey invested in have gone up as much as 38 percent since last summer. Some of these companies have subsidiaries all across the world, in places like Central America, and the questions that are being asked in Washington, which is a town that is very concerned with the appearance of any conflict of interest, is whether or not it is unseemly for the Director of the CIA to be such an active player on Wall Street.

The joke around town now is that when Bill Casey talks, Wall Street people listen.

GUMBEL: Final note, Mr. Needham. [Laughs]. Final note. If what Mr. Casey did was not illegal, not unethical, should he have been beyond reproach? Is this something the CIA Director should be doing?

NEEDHAM: Well, you know, you're going to skip right over some very interesting remarks made by this gentleman that are totally inaccurate.

And all I can say is that the press has a right to look at it, but I don't know what Bill Casey did that was wrong. I think I would know.

GUMBEL: James Needham, Howard Kurtz, in Washington,
thank you both.

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NEW YORK TIMES
3 June 1983

Canadian Fashion Takes A Bow in Washington

By BERNADINE MORRIS

Special to The New York Times

WASHINGTON, June 2 — "I didn't see a sequin before I came to Washington," said Sondra Gotlieb. "I never thought about fashion — in Ottawa everyone always dressed down."

But when she came to live here with her husband, Allan E. Gotlieb, Canada's Ambassador to the United States, she discovered that "fashion designers play a big role in social life — we're always invited to parties for Bill and Oscar." Canadian newspapers began to criticize her for not dressing well enough, until she turned up in a dress by Maggy Reeves, a custom designer in Toronto. It was in wine and pearl-gray silk, it had floating panels and everyone told her it was sensational.

"We have designers in Canada too, but nobody knows about them," she said. "I thought we might introduce them."

She called her friend Beverley Rockett, who is fashion and beauty editor of City Woman, a magazine published in Toronto, and asked her to arrange a fashion show. The presentation took place at the embassy residence today. Miss Rockett made it clear that she, not the Government, was responsible for the selection of the clothes.

"I thought, why not do it big?" Mrs. Gotlieb recalled. So she planned two shows, one for store buyers and the press at lunch, and another for social and political Washington at a dinner-dance.

"We're calling it an extravaganza rather than a fashion show, because we don't want to scare off the men," she said.

Apparently she didn't. The guest list for the black-tie evening, a sit-down dinner for 120 with dancing before and after the show, included William J. Casey, Director of Central Intelligence; Gen. Alexander M. Haig Jr.; Charles Z. Wick, Director of the United States Information Agency; Sargent Shriver, and Gerald Rafshoon, a former assistant to President Jimmy Carter, plus their wives. The 12 major designers and several accessories designers were at both shows.



Lars-Erik
Nelson

The CIA gold mine

\$3.7 million and \$7.3 million. It is impossible to tell whether or not he made a profit from these deals—but he reported an income, above his government salary, last year, of between \$500,000 and \$1 million.

Of course, the government has imposed conflict-of-interest rules to prestrict Casey's actions. But the rules penalize the government—not Casey. If a situation arises in which his personal financial holdings are affected, he is supposed to disqualify himself from taking part in the government's deliberations. His property comes first.

A CIA spokesman yesterday quoted Casey's financial adviser, Richard Cheswick, as saying that he made his decisions about Casey's stock holdings with no advice or special analysis from the CIA director. Cheswick appeared to be claiming that Casey had effectively established a "blind trust" for his holdings, but still the appearance remained that the nation's top intelligence officer is able to profit from his knowledge.

Possible conflicts are screened not by an impartial outside agency but by two of Casey's subordinates, Deputy Director John McMahon and CIA General Counsel Stanley Sporkin. Ironically, Sporkin was once chief of enforcement for the Securities and Exchange Commission, and vigorously pursued corporate executives guilty of insider trading.

Other Reagan administration officials are also millionaires with advance access to confidential information. Defense Secretary Caspar Weinberger, for example, reports a

worth between \$1.5 million and \$1.9 million. Secretary of State Shultz is worth between \$2 million and \$3 million. Both have access to the daily "take" of the intelligence agencies. Both know where in the world it is safe to invest, and where a prudent businessman might cut back on his holdings.

But the standard practice, required of all top government officials apart from Casey, is that they either set up a blind trust—so that they have no knowledge of how their holdings are bought and sold—or divest themselves of any property that could conflict with their job.

The standards for Casey were set up by the CIA last year, following disclosure that he had unloaded more than \$600,000 in oil stocks just before the bottom fell out of the market. The CIA had been predicting, until 1981, that the Soviet Union would start to run out of oil in the mid-1980s—adding to worldwide shortages and boosting prices.

BUT IN 1981, the CIA changed its mind. The Soviets are still exporting oil, OPEC is in disarray, there is a worldwide oil glut and prices may sink even further. William Casey is safely out of oil stocks.

He has done nothing illegal. According to CIA spokesman Dale Peterson, when Casey sees a possible conflict of interest between his job and his financial holdings, "If he decides he wants to continue making decisions in that area, he will sell the stock." If he'd rather make the money, he can simply take the day off.

WASHINGTON—Imagine sitting like the legendary Dr. Fu Manchu at the center of a far-flung spiderweb of public, private and clandestine intelligence, with advance access to virtually anything that can be known: OPEC oil production plans, impending African coups, looming bauxite shortages, potential Soviet crop failures, religious unrest in the Persian Gulf—even a possible World War III.

Imagine too that you have the security of a high-paid government job, and thousands of confidential agents at your disposal. Imagine, again, that you are perfectly free to use any and all of this government-gathered inside information for your own gain on the stock market.

This dream, which would make many drool with greed and envy, is the daily reality for William Casey, director of the Central Intelligence Agency. For Casey, while serving as head of the CIA, has been a heavy player in the stock market. During 1982, according to a statement he has filed, he bought between \$3.8 million and \$7.8 million in stocks, bonds and other securities. He sold between

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CIA chief's investment policy is defended

By Vernon A. Guidry, Jr.
Washington Bureau of The Sun

Washington — CIA Director William J. Casey hasn't given his private investment counselors any information, secret or otherwise, to guide their handling of his money, according to the financial expert who has handled his investments for 20 years.

The statement by Mr. Casey's counselor, Richard Cheswick, was issued yesterday by the Central Intelligence Agency itself, a day after the agency released Mr. Casey's 1982 financial disclosure report which listed stock and bond transactions worth hundreds of thousands — perhaps millions — of dollars. Most of the transactions occurred last summer.

Mr. Cheswick said in the statement that he has the authority to make changes in Mr. Casey's holdings without consultation and does so based on the same information used on behalf of other clients.

"There have been no instances whatever during Mr. Casey's service as director of the Central Intelligence Agency that he has provided me with any information or special analyses which could be used as an aid in making these decisions," Mr. Cheswick's statement read.

Mr. Cheswick said the large stock sales of the third quarter of 1982 were made "to improve the safety and diversification of the portfolio. Approximately 40 percent of the proceeds were used to purchase other stocks and 60 percent to buy bonds. This activity made for a large dollar value of transactions but much of this simply reflected the rolling over of temporary short-term securities."

No wrongdoing has been alleged on Mr. Casey's part, but his conduct with respect to his large financial holdings has been a matter of controversy. When he took office, he declined to place his holdings in a "blind trust," which his two predecessors, Adm. Stansfield Turner and George Bush, had done.

His 1981 financial disclosure statement showed that he sold more than \$600,000 in oil stocks. That year, oil stock prices plummeted when a worldwide oil glut developed.

Critics at that time said that no matter how innocent Mr. Casey's stock dealings had been, he still opened himself to the suspicion that he had been using for personal gain information he had received as one of the few men in the nation privy to all U.S. intelligence.

In response to the 1981 controversy, the CIA established a screening process for Mr. Casey's holdings. At the time, the CIA's general counsel, Stanley Sporkin, told reporters: "I'm not going to let him get himself into trouble."

In practice, however, the screening process examines only instances in which CIA financial dealings, such as contracts, might involve a conflict with Mr. Casey's holdings.

According to Kathryn Riedel, an agency spokeswoman, lists of Mr. Casey's holdings are circulated to CIA officials. When they spot a potential conflict — most typically a contract about to be awarded to a firm in which Mr. Casey has an interest — they notify Mr. Sporkin and John McMahon, the CIA's deputy director.

These two then decide whether the matter is of sufficient import to be brought to Mr. Casey's attention. If it is, she said, he can decide whether to recuse himself from consideration.

The CIA declined to say when, or even whether, the screening process had been put into practice.

Ms. Riedel said she could say only that the system was "fully implemented and serving its intended purpose."

A 1981 Senate Intelligence Committee investigation of Mr. Casey's financial disclosures found that he was "at a minimum inattentive to detail."

The investigation found that in reporting to the committee on his business and financial dealings, he neglected to mention nine investments valued at more than \$250,000, personal debts and liabilities of nearly \$500,000, a number of corporations or foundations on whose boards he served, four civil suits in which he was involved and more than 70 clients he had represented in private practice, including the South Korean and Indonesian governments.

At the White House, a spokesman said Mr. Casey's current practices had been approved by the appropriate agencies.

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WASHINGTON POST
2 JUNE 1983

Casey Traded Heavily in Stocks in '82

By Howard Kurtz
and Mary Thornton
Washington Post Staff Writers

CIA Director William J. Casey bought and sold millions of dollars in stocks and other securities last summer as the stock market was beginning a major advance, according to his financial disclosure statement.

In a 26-day period from Aug. 26 to Sept. 20, Casey bought from \$1.5 million to more than \$2.2 million in stocks and other securities, particularly in electronics and drug companies.

Casey's heavy trading coincided with a broad advance in the Dow Jones Industrial Average, which stood at 892 on Aug. 26, peaked at 1,232 in early May and was at 1,202 yesterday.

While it is virtually impossible to gauge the profit or loss of Casey's extensive transactions during 1982, an examination of three of the stocks in which he made sizable investments shows that they have increased in value by 16 to 38 percent since August.

If Casey still owns the three stocks, he apparently would have a paper profit of between \$104,000 and \$250,000.

Casey has declined to place his financial holdings in a blind trust

voluntarily, as many other senior government officials have done, including President Reagan, Vice President Bush and Treasury Secretary Donald T. Regan.

Instead, CIA spokesman Dale Peterson said, Deputy Director John McMahon and general counsel Stanley Sporkin review all of Casey's financial transactions to determine whether there is any conflict between his private holdings and his public role as the nation's chief intelligence officer.

If the two find such a conflict, Peterson said, they will advise Casey to disqualify himself from decision-

making on matters that could affect the value of his holdings.

Peterson called the arrangement "the director's means of assuring there would be no conflict of interest," but he would not disclose whether McMahon and Sporkin had found conflicts in Casey's financial dealings. He said the information would be available upon request to congressional oversight committees.

The new policy was adopted last year after Casey's previous financial disclosure statement showed that he had sold more than \$600,000 in oil company stocks during 1981 as a glut developed in world oil markets.

"The system that was set up [last year] is functioning and will remain the way it is," Peterson said. "There is no reason under the law why [Casey] has to put his finances into a blind trust." He added that the investment decisions generally are made by Casey's private financial adviser, Richard Cheswick.

Congressional staff members said they are not aware of any findings by the CIA officials reviewing Casey's transactions. "While some of our members don't like the way Casey does business, he is free to buy and sell anything he wants," an official with the Senate Select Committee on Intelligence said.

Several of the drug companies in which Casey bought substantial amounts of stock—including Abbott Laboratories, Bristol-Myers, Merck and Co., Johnson & Johnson and Pfizer Inc.—have foreign subsidiaries, including several in Central America. Abbott, for example, has subsidiaries in El Salvador, Argentina, Chile, Venezuela, Guatemala and Mexico.

Casey also bought considerable stock in electronics firms such as Digital Equipment Corp. and MCI Communications Corp.

Casey apparently financed his purchases last summer by selling off large amounts of Treasury bills and oil-company stocks, although he continued to buy lesser amounts of Treasury securities throughout the year. For all of 1982, he bought from \$3.8 million to more than \$7.8 million worth of stocks, securities, bonds and Treasury bills, while selling holdings worth from \$3.7 million to more than \$7.3 million.

While Casey may have lost money on some stocks, three of his larger investments have done well. From Aug. 26 to last Tuesday, for example, Abbott stock rose from 33½ to 43½ a share, an increase of 30 percent; Digital increased from 80½ to 111½, or 38 percent, and Merck rose from 74 to 86, or 16 percent.

WASHINGTON
CASEY INVESTMENTS

Sen. Carl Levin, D-Mich., today urged President Reagan to require William J. Casey to set up a blind trust to avoid the appearance of impropriety in the CIA director's stock dealings.

"It seems clear that the repeated stock transactions by Mr. Casey while he receives information on an on-going basis as director of the CIA creates the appearance of using public office for public gain," Levin said in a letter to Reagan.

Levin, senior Democrat on a Senate subcommittee with jurisdiction over government ethics, said while there is no evidence that Casey used CIA information to decide what stocks to buy or sell, "there is also no specific evidence at this time that he did not."

If Reagan and Casey decline to set up a blind trust in which Casey would not know how his investments were handled, Levin said he would introduce legislation to force him to do so.

At issue are transactions reported in required financial disclosure statements made public by senior government officials this week.

On Thursday, Casey's chief financial adviser said the CIA chief received no special treatment.

The adviser, identified by the Central Intelligence Agency as Richard Cheswick, said in a statement that he had made changes in Casey's accounts of a nature "consistently applied to our other clients' portfolios."

Casey's financial disclosure form, made public on Tuesday, showed that he had traded millions of dollars in securities as the bull market in stocks got started in the last half of 1982.

The CIA refused to answer questions Tuesday about the report. On Thursday, the CIA issued a rare statement, in Cheswick's name, which spokesman Dale Peterson said Casey had cleared for release. Peterson said he could answer no questions about the statement.

"There have been no instances whatsoever during Mr. Casey's service as director of the CIA that he has provided me with any information or special analyses which could be used as an aid in making these decisions," the statement said.

During 1982, Casey bought stock and other securities worth between \$1.9 million and \$4.5 million, according to his disclosure form.

Cheswick said much of the trading activity was the result of rolling over short-term securities bought with the proceeds of a single sale of security that Casey had held for more than 30 years. He did not identify that security.

CONTINUED

2.

Casey is the only senior member of the Reagan administration not to put his holdings in a blind trust, that is, a trust in which the trustee must make investment decisions without reference to the beneficiary.

The CIA said last year that a group of senior officials reviews Casey's stock transactions for possible conflict of interest. That review panel was established after Casey's disclosure form showed he had sold \$600,000 in oil stocks in 1981 as a glut developed in the world oil market.

Peterson said he did not know where Cheswick lived or the name of his firm, but believed it was in Connecticut.

There was no listing for Cheswick in immediately available telephone books for Connecticut consulted in Hartford. Those books included listings for Fairfield County near New York City, where many people involved in finance live.

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NEW YORK DAILY NEWS
2 June 1983



**William F.
Buckley Jr.**

The fine art of spying

H EADLINE: "CASEY ASKS PANEL: WHO SAID 'THE CIA LIES'?" William Casey, the director of the Central Intelligence Agency, can be a very cool cat, but occasionally his Irish is endangered, and the other day it was. A member of a congressional committee was anonymously quoted as saying, apparently with resignation, "The CIA lies to us anyway." This drew from Director Casey a communication that is scorching by the standards governing exchanges between executive agencies and congressional committees. What Mr. Casey wrote, one-half gut-anger, one-half euphemism, was:

"While I have less than complete confidence in the accuracy of press reporting, that comment has offended our entire organization and impugns the integrity of our fine employees. In obligation to them I feel that I must pursue its accuracy. The possibility that any committee member harbors the thought that CIA lies to the committee is so appalling that I feel obliged to determine if any member of the committee actually feels that way and, if so, to seek the particulars. The confidence between the agency and the committee—essential to make the oversight process work requires that any such impression be addressed."

A few years ago, George Kennan

was quoted as saying he did not believe the CIA ought to engage in any covert operations. Taxed as to exactly why he thought this, he answered that it was simply not possible, in a political democracy, for an agency to keep secrets, and that under the circumstances one had to weigh the value of covert activity over against the embarrassment of public exposure of that activity. He concluded that the latter exceeded the former, and that therefore there should be no covert activity. To which Machiavelli might add: There should be no covert activity if there there is any reasonable possibility that it will be exposed. That is to say something a little bit different from what Mr. Kennan was saying, but that difference is vital.

In the past seven or eight years I have written five spy novels in the course of which I have attempted to conjugate a theme. Not a mysterious theme, but not one that is entirely easy to expound. It is this, that the counterespionage discipline is sometimes the transaction not of a law, but rather of an art. I mean by this that there is written into the inexplicit mandate of an intelligence organization an ambivalence that simply can't be wrung out by the conventional processes that go into the codification of most of a free society's laws.

Let us take a hypothetical situation. Our CIA agents in Uganda smell something big. Very big. An atom bomb. Never mind for the moment how Idi Amin got an atom bomb, but there it is, about the size of the Hiroshima bomb. What in the name of God does he propose to do with it? Well, he intends, exactly three hours from now, to dispatch a plane from his little air force and drop the bomb over Jerusalem, in retaliation against

the Israelis' Entebbe raid. Idi Amin is scheduled to go to the air base personally to wave off the bomber on a mission that will mean the extermination of an entire city and not inconceivably the beginning of a third world war. The mission could be aborted by a sniper who, properly situated, can end the career of this madman before his bomber takes off.

But isn't assassination wrong?

Yes, assassination is wrong. But can't one say that assassination is wrong, but that there are worse things than assassinations? Like death for a quarter million people, and perhaps a war?

Yes, one can say that.

Question: Is there machinery that can act on such a moral calculus?

Answer: Depends. Depends on the built-in resiliency of the appropriate mechanisms.

Sir: Are you saying that the CIA is entitled to lie to a congressional committee?

NO, I AM NOT. I am saying that there are worse things imaginable than the CIA lying to a congressional committee.

Do you doubt that Mr. Casey is telling the truth when he insists that the CIA does not lie to congressional committees?

No, I am not saying anything of the sort.

What then are you saying?

I am saying that circumstances hypothetically exist in which the director of the CIA would need to choose between 1) lying, or b) exposing a deed the exposure of which runs a risk of collapsing a vital organ of a free society, and that the prudent way of steering clear of such schematic collision courses is for both parties to just cool it; just don't talk about it; just let it go.

Office of the Press Secretary

PRESS BRIEFING
BY
LARRY SPEAKES

June 2, 1983

The Briefing Room

12:33 P.M. EDT

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MR. SPEAKES: Pat?

Q Do you expect stepped-up military activity on the part of the Salvadoran government, and is that one factor in sending these --

MR. SPEAKES: Pat, I do not know.

Q You've talked about -- the President has always said he was not going to send combat troops to El Salvador, he had no plans to or do not need it -- what about groups that are not, in sort of an offshoot of what Mike was asking, that are not necessarily a rifle battalion, but Seabees, motorpools --

MR. SPEAKES: Bob, I don't know the specifics or any plans for --

Q Don't know of any plans like that --

MR. SPEAKES: I do not know.

Bob?

Q Larry, getting back to the killing of our own guy. Is the timing of this in any way to demonstrate our increased resolve?

MR. SPEAKES: No. This has been well underway since before then.

Q No connections at all?

MR. SPEAKES: No connection.

Bob? Yes, I'm trying to.

Q Casey.

Q Casey Jones --

MR. SPEAKES: You're going to be disappointed when I get there. (Laughter.) Let me get Bob back there.

Q -- let me be disappointed right now then.

Q Did Casey's broker know what he was saying, could he understand him, or did he just get lucky. (Laughter.)

MR. SPEAKES: How does he know when he said "buy or sell"? (Laughter.) -- had to do with Casey.

Bob?

Q According to the New York Times, there are two Supreme Court decisions, one in 1935, one in 1958 that say that -- says that the President cannot legally remove members of the U.S. Civil Rights Commission. My question is, was this research -- was the legality researched in the White House? If so, who did it? And, what was the finding?

MR. SPEAKES: Hand me Casey -- I don't know what I did with it. I would check with -- I got it. I would check with the Department of Justice on that.

Casey. Mr. Casey's financial arrangements were probed in 1981 by the Senate and by the Office of Government Ethics and by ethics officials at the Central Intelligence Agency.

MORE

#723-6/2

Last year the CIA, with the approval of the Office of Government Ethics, added a screening panel to further protect against inadvertent conflicts of interest --

Q Against any --

MR. SPEAKES: Against inadvertent conflicts of interest in Mr. Casey's stock transactions. The White House does not become involved in any review of Mr. Casey's transactions.

Q Sell Air America.

Q Has there been any new review of conflicts of interest --

MR. SPEAKES: No.

Q -- inadvertent, or otherwise?

MR. SPEAKES: Not at the White House. You'd have to check the Office of Government Ethics to see if there have been any -- how they operate, how the ethics officer at the CIA operates.

Q Can I ask a question?

MR. SPEAKES: Yes, Butch.

Q How about the appearances here? How're you doing -- how about the question of appearances?

MR. SPEAKES: I can't pass a judgment on that, but the point is that he's been approved by the appropriate agency -- the way he does business has been approved by the appropriate agencies, so --

Q Hey Mort --

Q Why are you locking William Casey in such a firm embrace? (Laughter.)

MR. SPEAKES: You found out anything? You may speak.

Q Mort's got natural sidearms. (Laughter.)

MR. ALLIN: The unit is expected to operate, for the most part, in San Salvador. They are not expected to have sidearms or pistols there; however, as Mr. Timberg pointed out, that when they are out in the country, if the Ambassador were to determine it were necessary, they could certainly carry sidearms and pistols -- pistols for self-defense purposes. But, it is not anticipated that they will do so, while they're in, at least in the San Salvador area. And the rest would be up to the Ambassador and his rules whether they're --

Q So the Ambassador could send them out?

MR. ALLIN: They will -- they could be doing some assessment of conditions elsewhere, but not in combat zones. It will be the same rules that are in practice for the other, for the military trainers who are there.

Q When will they arrive?

MR. SPEAKES: That hasn't been determined. Check DOD for specific schedules.

MORE

#723-6/2

2 June 1983

Assignment: Memphis— Casey Could Serve By Sharing Market Secrets

By LYDEL SIMS

The world being what it is, some people are sure to get hot under the collar about the news of William J. Casey's heavy dealing on the stock market.

Casey is director of the CIA. The CIA knows everything — well, almost everything — about the government's most secret economic data. If anything is about to happen anywhere that might affect the stock market, Casey is likely to know about it.

So, these chronic complainers are going to say, he shouldn't be allowed to buy and sell stocks for personal gain while he holds his office.

But he is. And a good thing, too, in my book.

WORD ABOUT THE dealing

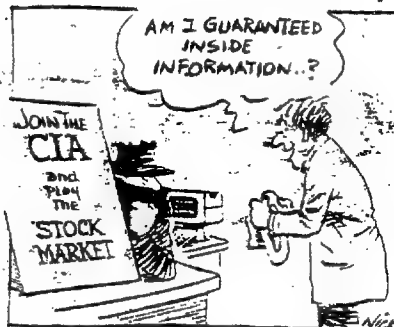
came from his own financial disclosure form, which was released the other day.

Last year, it showed, Casey had great confidence in the American economy, or at least parts of it. He bought stock worth from \$1.9 million to \$4.5 million, valued at the date of purchase.

We can all feel encouraged by that, can't we?

On the other hand, he showed less confidence in some portions of the American economy, selling stock worth from \$1 million to possibly more than \$2.1 million. It might be helpful to know what he bought and what he sold, but then we can't have everything.

Casey didn't make these deals all by himself, you understand. Day-to-day management of his portfolio is in the hands of a pri-



vate investment adviser, but I suppose they do talk from time to time.

All in all, it strikes me as a sign of a growing economy from a very high source indeed. And if it gives all of us a surge of optimism, surely we aren't going to complain if he happens to make a few dollars on his deals.

COMPLAINTS WILL COME, all the same. Critics will point out that his two predecessors in the top CIA job put their own portfolios into blind trusts.

But any impartial observer will have to admit precautions have been taken.

Those precautions were set into effect after last year's disclosure form, which showed Casey sold more than \$600,000 in oil stocks as a glut was developing in world markets. So the CIA itself, ever vigilant to avoid even the appearance of impropriety, set up a "screening arrangement" for Casey.

Under its provisions, certain officials now review his stock transactions regularly for possible conflicts of interest.

And who are these officials? Casey's deputy director and other subordinates in the CIA, that's who. If they can't be counted on to police their own boss, I don't know who can.

IN FACT, IT might help the country if the whole thing were allowed to go a step further. Think how we all could benefit if Casey himself started publishing a weekly market guide for investors in his spare time.

That's not likely to happen. But meanwhile, consider what a great slogan the situation offers for CIA recruiters.

Remember the Navy's great old call, "Join the Navy and see the world"?

How about "Join the CIA and play the stock market"?

2 June 1983

DISCLOSE

WASHINGTON (UPI) -- CIA DIRECTOR WILLIAM CASEY BOUGHT AND SOLD AS MUCH AS \$7 MILLION IN STOCKS LAST YEAR, MAKING MANY OF HIS INVESTMENTS AS THE STOCK MARKET WAS BEGINNING A MAJOR ADVANCE, HIS FINANCIAL DISCLOSURE FORM REVEALS.

BOB FLYNN, SPOKESMAN FOR THE OFFICE OF GOVERNMENT ETHICS, WHICH REVIEWS FINANCIAL DISCLOSURE FORMS OF ALL TOP ADMINISTRATION OFFICIALS, SAID THURSDAY THE OFFICE WOULD EXAMINE CASEY'S FORM TO DETERMINE IF HE USED HIS GOVERNMENT POSITION TO PROFIT IN THE STOCK MARKET.

"WE'LL REVIEW IT WHEN WE GET IT...AND LOOK FOR CONFLICTS OF INTEREST," FLYNN SAID.

IN OTHER FINANCIAL DISCLOSURE FORMS RELEASED THURSDAY:

-- SECRETARY OF STATE GEORGE SHULTZ REPORTED EARNING MORE THAN \$600,000 IN SALARIES AND OTHER COMPENSATION, MOSTLY FROM HIS FORMER EMPLOYER, BECHTEL GROUP INC.

-- DEFENSE SECRETARY CASPAR WEINBERGER, WHO CAME TO HIS JOB A MILLIONAIRE, REPORTED INCOME LAST YEAR OF AT LEAST \$375,000 -- ABOUT A THIRD OF WHAT HE EARNED IN 1981.

-- AGRICULTURE SECRETARY JOHN BLOCK REPORTED ASSETS OF MORE THAN \$3 MILLION AND LIABILITIES OF AT LEAST \$7 MILLION IN 1982.

NEW HAVEN JOURNAL-COURIER (CT)
2 June 1983

Casey continues trading

file only

The heavy stock trading by CIA Director William J. Casey is open to questioning. It has been spotlighted in the financial disclosure forms filed by Casey, along with other government officials. And eyebrows are being raised since the CIA director is privy to government secrets that can give him an advantage — and possibly influence his judgment in matters of public interest.

Release of Casey's disclosures from last year showed how he can take advantage of confidential information he gets in his sensitive post. He sold more than \$600,000 in oil stock as a glut developed in the world markets in 1981. So the CIA set up a "screening arrangement" with the aim of preventing him from taking official actions for personal gain. The new system permitted him to continue buying and selling stock, but required that the deputy CIA director and other senior officials of the agency review his stock transactions regularly for possible conflicts of interest.

The arrangement acknowledged the problem, but doesn't seem tight enough to win the confidence of the public. Casey's two predecessors in the CIA post did what was necessary to win such confidence as did other top Reagan administration officials with access to similar confidential economic data. They placed their extensive stock portfolio into a blind trust or sold off stock as a condition of employment. Casey not only refuses to do this but doubled the number of his transactions in 1982 compared with the previous year.

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LOS ANGELES TIMES
2 June 1983

Casey Traded Heavily in Stock

CIA Chief Has Access to Global Economic Secrets

By WILLIAM J. EATON
and ROBERT L. JACKSON,
Times Staff Writers

WASHINGTON—Central Intelligence Director William J. Casey, whose position gives him access to a vast range of secret information on global economic trends, bought and sold millions of dollars worth of stock in 1982, according to his financial disclosure statement.

Casey bought securities worth at least \$1.9 million and perhaps as much as \$4.5 million in 61 firms last year, including stock in the oil, computer, airline and drug industries, the report indicated. He sold stock worth at least \$1 million and possibly as much as \$2.1 million in 30 firms in 1982.

Including purchases and sales of Treasury securities, the CIA director engaged in 136 transactions last year, compared with 67 transactions in 1981.

It is not possible to pinpoint the exact amount of stock that Casey bought and sold, because the reporting form used by the Office of Government Ethics lists stock values and other transactions only in broad categories, such as ranges of \$50,000 to \$100,000. Casey's state-

ment was released late Tuesday.

Casey, unlike his two immediate predecessors at the CIA, prefers to retain control over his own investments rather than establish a blind trust. President Reagan and several Cabinet members in the economic policy-making field put their investments in blind trusts when they took office.

For example, Commerce Secretary Malcolm Baldrige said he decided to remove his investments from his personal control and place them in a blind trust to avoid even the appearance of any conflict of interest.

"It's not how I see it; it's how others see it," Baldrige told a reporter. "In government, you're held to a higher standard."

Casey has long been heavily involved in securities transactions. During his confirmation hearing, he disclosed that he holds a vast portfolio and said he intended to maintain control over it while serving as CIA director.

CIA spokesman Dale Peterson said Wednesday that two top agency officials screen Casey's transactions to prevent him from making any decisions that would create a conflict of interest with his stock holdings.

Data Given Only to Congress

When asked if Casey had disqualified himself from any CIA decisions as a result of this arrangement, Peterson said, "We would not comment on that." Such information, he added, is available only to the Senate and House intelligence committees, which monitor CIA activities.

The screening system was established May 28, 1982, after Casey's disclosure report for 1981 indicated that he sold more than \$600,000 worth of oil stocks when oil prices plunged that year because of a worldwide glut. Casey is one of a relatively small number of U.S. officials who have access to CIA estimates for world oil production and sales.

Casey's two immediate predecessors at the CIA—Stanfield Turner and George Bush—both placed their investments in blind trusts. So have Secretary of State George P. Shultz, Treasury Secretary Donald T. Regan and William E. Brock, the U.S. special trade representative.

"There is no law or regulation that requires him (Casey) to put his holdings into a blind trust," Peterson said.

Casey has a financial adviser who makes the decisions to buy or sell, but the CIA director is aware of them, Peterson added. "The screening arrangement," he said, "assures that there will be no conflict of interest."

Maybe a Dozen Have Blind Trusts

Robert Flynn, assistant director of the Office of Government Ethics, which receives the financial reports, said, "Very few people have blind trusts—maybe a dozen in this Administration."

Casey's report indicated that he bought stocks heavily during the early days of the bull market last August. On Aug. 26, he acquired eight stocks worth at least \$285,000 and possibly as much as \$700,000. His statement showed that he bought at least \$750,000 worth of U.S. Treasury bills five days later but apparently sold them in late September to finance a purchase of more stock.

Casey bought stock in Hewlett Packard, a major defense contractor, as well as in such companies as Digital Equipment, MCI Communications Corp., Bethlehem Steel and many pharmaceutical firms, including Abbott Laboratories, Bristol-Myers and Merck.

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ON PAGE 8



William Casey

CIA's chief reports big stock deals

From Chicago Tribune wires

WASHINGTON — Central Intelligence Agency Director William J. Casey, who has access to the government's most secret economic data, traded heavily in the stock market last year, buying and selling several million dollars worth of stocks and other securities, according to his financial disclosure form released Tuesday.

According to the form, Casey bought stock worth from \$1.9 million to \$4.5 million, valued at the dates of purchase, while selling stock worth at least \$1 million and possibly more than \$2.1 million. Casey apparently financed his stock purchases by selling U.S. Treasury bills, the form showed.

Exact amounts for his investments were impossible to determine because government disclosure forms list the values within broad ranges.

Unlike his two CIA predecessors and other top Reagan administration officials with access to similar confidential economic data, Casey did not put his extensive stock portfolio into a blind trust or sell any stock as a condition of employment.

FOLLOWING RELEASE of last year's disclosure form, which showed Casey selling more than \$600,000 in oil stocks as a glut developed in world markets, the CIA established a "screening arrangement" aimed at preventing him from taking official actions for personal gain.

The new system permitted Casey to continue buying and selling stock but required that deputy CIA director John McMahon and other senior CIA officials regularly review Casey's stock transactions for possible conflicts of interest.

Asked whether that screening arrangement had been triggered by any of Casey's transactions, CIA press aide Kathryn Riedel said, "The arrangement is fully implemented and serving its intended purpose." She refused further comment on the procedure.

The form shows that Casey dropped most of his remaining holdings in the oil industry last year, stock which just two years ago dominated his portfolio. Many of Casey's new purchases were in computers, electronics, drug manufacturing, restaurant and hotel chains and airlines.

CASEY BOUGHT large amounts of shares in such firms as Abbott Laboratories, Bristol-Myers Corp., Johnson & Johnson Corp., Digital Equipment Corp. and Schlumberger Ltd., all firms with extensive international operations.

During 1982, Casey sold U.S. Treasury securities worth at least \$2.4 million and possibly more than \$3.7 million while buying federal obligations worth at least \$1.3 million and possibly more than \$2.1 million.

Financial disclosure statements also showed that two of President Reagan's top economic officials—Treasury Secretary Donald Regan and Commerce Secretary Malcolm Baldrige—made more in outside income than they did from their government jobs in 1982.

However, their incomes were considerably lower than in 1981, when both were still receiving substantial payments from former employers.

THE STATEMENTS also showed a big change from 1981 for Agriculture Secretary John Block, whose liabilities grew by at least 40 percent since his last report.

At the same time, the value of Block's assets, primarily in his Illinois pig, corn and soybean farm and other real estate holdings, have remained stable, ranging from \$3 million to \$3.8 million.

Block's liabilities ranged in value from \$7.1 million to \$9.9 million at the end of 1982, two to three times the value of his assets. At the end of 1981, he showed liabilities of \$5 million to \$6.8 million.

ARTICLE 1
ON PAGE A-1

WASHINGTON TIMES
2 JUNE 1983

CIA's director traded millions during bullish '82 market rise

Associated Press

CIA Director William J. Casey, who sees the government's most secret economic data, traded heavily in last year's bullish stock market, buying and selling several million dollars worth of stocks and other securities, according to his financial disclosure statement.

Casey joined thousands of other investors in buying large amounts of stock in the weeks after the major bull rally started in mid-August, his annual statement shows. On one day alone, Aug. 26, Casey bought stock in eight companies with the purchases totaling from \$335,000 to \$765,000.

All told, in 1982 Casey bought stock worth from \$1.9 million to \$4.5 million—much in the electronics and drug industries—while selling stock worth at least \$1 million and possibly more than \$2.1 million, the form showed.

He apparently financed his stock purchases by selling off large amounts of U.S. Treasury bills. Exact amounts for his sales and purchases were impossible to determine because government disclosure forms list values within broad ranges.

Unlike his two CIA predecessors and other top Reagan administra-

tion officials with access to similar confidential economic data, Casey did not put his extensive stock portfolio into a blind trust or sell any stock as a condition of employment.

But following release of Casey's disclosure form last year, which showed he had sold more than \$600,000 in oil stock as a glut developed in world markets in 1981, the CIA established a "screening arrangement" aimed at preventing him from taking official actions for personal gain.

The new system permitted Casey

to continue buying and selling stock but required that deputy director John McMahon and other senior CIA officials regularly review Casey's stock transactions for possible conflicts of interest.

Asked whether that screening arrangement had been set in motion by any of Casey's 1982 transactions, CIA spokeswoman Kathryn Riedel said, "The arrangement is fully implemented and serving its intended purpose."

Riedel added that day-to-day management of Casey's portfolio remains in the hands of a private investment adviser, Richard Cheswick, although Casey retains ultimate control.

Disclosure forms for Casey and many other high-ranking administration officials were released Tuesday.

- Secretary of Labor Raymond Donovan listed outside income of at least \$130,000, possibly as much as \$211,000. He had reported outside income of at least \$562,874 on last year's form.

- U.S. Trade Representative William Brock made at least \$51,000 in addition to his government income last year, nearly all of it from a blind trust he set up.

- Senior White House aides accepted cigars, airline travel, a clock and a crystal ashtray as gifts during 1982.

According to the disclosure form, Casey doubled his number of transactions in 1982 compared with 1981. He listed 136 sales and purchases last year and 67 transactions his first year in office.

Some of pharmaceutical firms that Casey bought stock in — Abbott Laboratories, Bristol-Myers and Johnson & Johnson — have subsidiaries in Central America, an area where the CIA has taken an increasing interest and is conducting clandestine activities aimed at countering leftist revolution.

The form shows that Casey and his wife earned at least \$478,600 and possibly more than \$959,600 in outside income in 1982, mostly from dividends and capital gains on their investments. As a Cabinet-level official, Casey also receives \$80,100 in annual salary.



Central Intelligence Agency
Washington, D.C. 20505
(703) 351-7676

Charles E. Wilson
Chief, Public Affairs

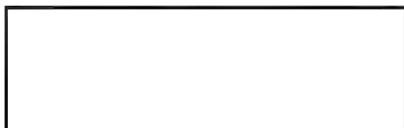
2 June 1983

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(file)

John:

FYI, note pp 11 and 12. This information was briefed an hour after I asked the White House not to go beyond "not our policy to comment on allegations of intelligence activities."

STAT



Attachment

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CHICAGO TRIBUNE
2 June 1983

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U.S. drops idea of Suriname coup

New York Times News Service

WASHINGTON—The Reagan administration dropped a plan this year to sponsor the overthrow of the government of Suriname, a former Dutch colony in South America, after congressional committees objected, administration officials said Tuesday.

The plan, the officials said, called for the formation of a small-paramilitary force composed mainly of Suriname exiles opposed to the authoritarian government of Lt. Col. Desi Bouterse. The force was to infiltrate the capital, Paramaribo, and oust Bouterse, the officials said.

Bouterse, who seized power in a military coup in 1980, is viewed by administration officials as an unpredictable leader with procommunist sympathies. Last December, his government rounded up 15 leading op-

ponents, including prominent citizens, and summarily executed them, according to the administration.

Whether the plan to overthrow Bouterse called for his arrest, deportation or other action was unclear. The assassination of foreign leaders, formally prohibited by President Ford, also was barred by President Reagan in an executive order on intelligence activities issued in 1981.

THE PLAN WAS sponsored by the Central Intelligence Agency, according to House Intelligence Committee members.

The CIA was reported to have told congressional committees that the ouster of Bouterse would eliminate the possibility that the Soviet Union and Cuba could use Suriname as a base for expanding their influence in South America.

A CIA spokesman said late Tuesday that "we can't comment on these kinds of allegations."

Several members of the House and Senate Intelligence Committees said they had objected to the scheme because they felt the administration had not demonstrated that Suriname posed a threat to U.S. interests. The nation, on the northern coast of South America, is bordered by French Guiana, Brazil and Guyana, a former British colony.

Committee members said they were not opposed in principle to an attempt to overthrow a foreign government. But they criticized the CIA for advocating what a House member called "the most extreme measure" before less severe methods were used to try to steer Suriname away from Soviet and Cuban influence.

2 June 1983

WASHINGTON
CASEY
BY DANIEL G. GILMORE

CIA Director William Casey, who once wrote a book titled "Tax Sheltered Investments," traded millions in stocks and securities last year while directing the spy agency, his annual financial statement shows.

The 70-year-old intelligence chief, a multimillionaire before his CIA appointment by President Reagan in 1981, bought up to \$5 million in stocks as the market began to boom. He also sold stock worth at least \$2 million and disposed of a considerable amount in U.S. government securities.

Casey, whose CIA salary is \$69,800 a year, took 17 pages to list his income, investments and interests in property as required by the Office of Government Ethics.

Unlike Reagan, Vice President George Bush and many other elected or appointed officials, Casey has declined to voluntarily place his holdings into a blind trust to avoid any conflicts of interest.

Instead, after considerable controversy over his 1981 declaration, Casey now has to submit his annual financial report for screening by CIA Deputy Director John McMahon and Stanley Sporkin, the agency's general counsel.

"Presidential appointees are required to establish suitable screening arrangements to assure they avoid participating in particular matters which may affect their specific personal financial interests," CIA spokesman Dale Peterson explained.

The White House had no comment on the matter. Presidential spokesman Larry Speakes said the screening process for Casey's financial transactions was approved by the Senate, the Office of Government Ethics and the CIA. "The White House does not become involved in any review," Speakes said.

This screening policy for Casey began following disclosure in his 1981 statement that he had sold more than \$600,000 in oil stocks as supplies began to become plentiful and prices dropped.

Exact figures are not included on the disclosure report, only valuations which start at \$1,001-\$5,000 and end at "Over \$250,000."

Casey had three separate listings for U.S. Treasury Bonds, one for Treasury Notes and one for U.S. Treasury notes with valuations listed at more than \$250,000 each. Eleven of his investments, stocks or property were also listed as more than \$250,000.

He held municipal and state bonds in New Mexico, Alaska, Georgia, Illinois, Minnesota, Connecticut and Florida and held stocks or shares in companies including Bristol-Myers, MCI Communications Corp., Marriott, Philip Morris, Wendy's, International American Express, IBM Canada, Sony and Hewlett Packard.

Casey declared a limited partnership worth between \$15,000 and \$50,000 in Racquet Ball Courts.

Supersecret Army unit active in Central America

By JACK COLHOUN
Guardian Bureau

WASHINGTON, D.C.—The Pentagon has a new spy agency—the Army's Intelligence Support Activity (ISA)—for worldwide covert operations and intelligence gathering activities.

The supersecret ISA is currently operating in Central America, but it also has been involved elsewhere in the third world and Western Europe since it was set up in 1980. For at least its first year, the ISA acted illegally, circumventing the congressional oversight process regarding clandestine operations.

The ISA's existence has been disclosed at a time of growing opposition to covert U.S. warfare against Nicaragua. In a related development the Reagan administration's figleaf claim that this activity is not intended to overthrow the Managua government became even less credible last week. The New York Times, citing congressional sources, reported that both CIA chief William Casey and Assistant Secretary of State Thomas Enders have recently told members of Congress that the U.S.-directed "contras" have a good chance of toppling the Sandinista government by the end of the year. Casey denied the report the next day.

"The Activity," as the new military intelligence group is known, was started before the failed attempt to rescue U.S. hostages in Iran. One knowledgeable official explained to the Los Angeles Times that "the military decided that they needed their own outfit to collect intelligence on areas where they are asked to fight."

The Central Intelligence Agency, the official said, was unresponsive to the military's requirements because it had become too preoccupied with maintaining its presence and assets in Iran to be able to supply intelligence and equipment for Desert 1, the 1980 aborted U.S. rescue mission. Other officials added that the Defense Intelligence Agency (DIA), the Pentagon's official spy unit, was too well identified to be effective.

Since 1980 the ISA has undertaken at least 10 missions. The Activity reportedly helped former Army Special Forces officer James (Bo) Gritz's clandestine foray into the jungles of Laos in search of missing U.S. military personnel allegedly held captive by the

Vietnamese. The new spy agency has also been involved in Africa and it aided in the rescue of Army Brig. Gen. James Dozier, who was kidnaped by the Red Brigade in Italy.

"Elsewhere around the world... the unit has provided military equipment to foreign forces and deployed servicemen using false identities to collect intelligence," the New York Times reported.

The ISA was "tasked" by CIA Director William Casey to undertake operations in Central America, which still continue. An unknown number of ISA operatives, using U.S. military cover, are reported to be gathering intelligence data in El Salvador. And the new military intelligence outfit also is involved in the CIA's war against Nicaragua.

According to the Miami Herald, the "CIA and U.S. military operatives" have "assumed virtual day-to-day control" over the right-wing contras' war to topple the Sandinista government. The Herald said U.S. intelligence agents "confer daily" with the counterrevolutionaries to plot military strategy and to pinpoint attacks.

The covert operations against Nicaragua are coordinated from Honduras by John Negroponte, U.S. ambassador to Honduras. Most of the U.S. personnel in Honduras are intelligence operatives, including "50 or 60 U.S. military officers—all in plainclothes and many of them of Puerto Rican or Cuban descent..." the Herald observed.

The CIA and U.S. military operatives are responsible for the daily contact with the contras, including debriefing them upon return from raids into Nicaragua. The U.S. intelligence agents also analyze raw data gathered in extensive spy operations focused on Nicaragua.

The driving force behind the creation of the secret Pentagon intelligence unit appears to be retired Army Gen. Richard Stilwell, deputy undersecretary of defense for policy. The Army established the Activity as part of its Intelligence Directorate, currently commanded by Maj. Gen. William Odom. Although the whereabouts of the ISA headquarters is unknown, "some of its

operations were run out of Fort Bragg, N.C., apparently as an extension of the Army's Special Forces [headquarters] there," the New York Times reported.

Louis Wolf, an editor of CovertAction Information Bulletin, told the Guardian, "The ISA appears to be part and parcel of the expansion of special operations activities by the military services." Wolf said the pace of the integration of intelligence operations and the military picked up during the Carter administration. But it was given a big boost, he added, by the Reagan administration's enthusiasm for interventionism and covert operations.

Ralph McGehee, author of "Deadly Deceits: My 25 Years in the CIA," said in an interview that "it is not surprising" that the ISA "popped up" in Central America at this time. "There were so many military intelligence units in Vietnam, it was hard to keep track of them," McGehee commented.

Another factor in the development of the ISA is the Reagan administration's opposition to legal restrictions regarding covert operations, which officials complained limited the effectiveness of U.S. intelligence operations. The Activity was an intentional end run around the congressional oversight process developed during the mid-1970s.

Jay Peterzell, a Center for National Security Studies analyst, pointed out that the ISA "has been responsible for a number of illegal clandestine activities conducted without either a presidential finding or a report to the [congressional] intelligence committees." In fact, the Activity was unknown to the intelligence committees until 1982, and some members don't believe they've gotten the full story yet.

Under the congressional oversight system a presidential finding must be issued explaining the necessity of a covert operation. The administration also is required by law to report to the House and Senate intelligence committees regarding proposed actions. Committee members cannot veto secret operations, but the oversight process gives members an indirect influence and allows them to ask questions. The only way for Congress to stop a covert action, however, is to cut off funds for it.

So far, Congress has failed to respond decisively to the CIA's secret war against the Sandinistas, an operation in bold violation of international law and the so-called Boland Amendment. Thus it is no great surprise that Capitol Hill lawmakers have to date been silent about the Pentagon's new spy unit and its activities in Central America.

1 June 1983

KOPPEL: The White House had no comment. The CIA had no comment, and the State Department went only a hair further. 'We don't comment on intelligence activities,' said state, 'but as a matter of policy, it is not the policy of the government of the United States to overthrow the government of Suriname.' That was all in response to a report by Carl Bernstein on this broadcast last night. In that report Bernstein quoted congressional sources as claiming that CIA Director William Casey told the House and Senate Intelligence Committees last December of a covert CIA plan to overthrow the government of Suriname. In the face of heated congressional opposition, the plan was reportedly dropped. Today the New York Times reported that its independent sources had confirmed that story and Bernstein reports that other congressional sources have now also confirmed it. A little later in this broadcast we will talk with Henry Kissinger, Richard Allen and Stansfield Turner about the pros and cons of covert activity. But first, Fred Marte, a leader of the Council for the Liberation of Suriname. Mr. Marte, the conditions in your country—you claim they are even worse than we have heard. How bad are they? MARTE: Well, Ted, they are very bad because to look at the Suriname situation, one should view them on two levels. The first is the level of the national unit in which we have to do, we are confronted with armed bands in a fragmented state which are terrorizing the majority of the people of Suriname. Now, 99% of the Suriname people are against these armed bands, and it is a matter of fact that conditions are far worse, worse than we've, you've heard here.

KOPPEL: Had you heard, let me just ask you first of all whether you had heard, and I mean has the CIA for example, been in touch with you or any of your colleagues, about providing assistance? MARTE: No, we don't, we know nothing whatsoever about CIA and CIA contacts. We are trying to liberate Suriname from (inaudible) in fact criminals, and we are determined to do that, and we have embarked on this course.

NBC - Nightly News

1 June 1983

FINANCIAL
DISCLOSURE/
CASEY

MUDD: The financial disclosure forms from the Reagan Cabinet were released this week, and all members appear either to have sold any holdings that would create a conflict of interest or have put their holdings in a blind trust. The one exception is CIA Director William Casey who has retained his extensive stock portfolio. Economics correspondent Irving R. Levine reports the details of Casey's disclosure form.

LEVINE: When Casey, who headed the Reagan election campaign, was confirmed by the Senate as CIA chief, he asked for and got unusual White House permission to continue to buy and sell stock himself, not through a blind trust, even though the CIA has access to secret economic information. And Casey's financial disclosure form shows him a heavy trader in the stock market last year, including in companies with holdings in foreign countries where the CIA gathers information. On August 26 alone, Casey bought stock in these companies, (Abbott Laboratories, Bristol-Myers, Harland, John E. Co., Johnson &

Johnson, La Quinta Motor Inns, MCI Comm. Group, Scotty's Inc., Sensormatic Elec. Corp.) purchases amounting to between \$335,000 and \$765,000. The disclosure form is no more specific than that. On September 20, purchases amounting to as much as \$800,000 in these stocks. (Bristol-Myers, Digital Equipment, Johnson & Johnson, MCI Comm. Corp., Paradyne Corp., Scotty's, Inc.) Most have gone up considerably in price. In all, Casey bought stock last year worth as much as \$4.5 million and sold stock for up to \$2.1 million. A Casey predecessor at the CIA, Admiral Stansfield Turner, was required to put his holdings in a blind trust, but Turner doesn't believe CIA information necessarily would help in stock trading. ADMIRAL STANSFIELD TURNER (Former CIA Director): I don't recall any situation where I learned something that would have been useful in a personal financial sense. I think the issue here is one of appearance as much as it is a fact.

LEVINE: Administration officials point out that Casey's stock trading is periodically reviewed for any conflict of interest, but that review is done by Casey's subordinates at the CIA. Irving R. Levine, NBC News, Washington.

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400080001-8

NBC - Nightly News
1 June 1983

REAGAN/
SURINAME

MUDD: The CIA refused today to comment on a report that Director Casey, with the President's approval, had planned a covert operation to overthrow the government of the small South American country of Suriname, but congressional sources confirmed the plot and said Casey backed away only when the Congress balked at the idea of using a paramilitary force of Surinamese exiles to depose the government, which Casey felt was coming under Cuban influence. Suriname was a Dutch colony until it got independence in 1975.

Approved For Release 2005/11/28 : CIA-RDP91-00901R000400080001-8

CBS Evening News
1 June 1983

REAGAN/
SURINAME

RATHER: CBS News today confirmed reports that President Reagan last December authorized and then abandoned a secret plan to overthrow the government of Surinam. CIA Director Casey backed that plan, believing that Surinam's government was drifting into the Cuban orbit, but after a briefing, Senate and House members objected to the plan, and it was finally dropped.

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1 JUNE 1983

CIA chief very active on Wall St.

Special for USA TODAY

WASHINGTON — CIA chief William J. Casey, who has access to the government's confidential economic data, traded several million dollars worth of stocks and other securities in the stock market last year, according to financial disclosure statements released Tuesday.

Casey bought stock worth from \$1.9 million to \$4.5 million, while selling stocks worth at least \$1 million to \$2.1 million, the form showed.

After release of his 1981 disclosure form last year, which showed Casey had sold \$600,000 in oil stock as a world market glut developed, the CIA established a new rule. Although Casey would be allowed to continue to trade on the market, it required that Casey's stock transactions be reviewed to assure against possible conflicts of interest.

The 1982 form shows that Casey and his wife earned at least \$478,600 to \$959,600 in outside income.

For three other Cabinet members — Treasury Secretary Donald Regan, Commerce Secretary Malcolm Baldrige and Labor Secretary Raymond Donovan — 1982 was a very good year financially, though not as good as 1981.

The record shows:

■ Regan, former head of Merrill Lynch & Co., made at least \$113,000 in outside income last year, most of it emanating from a blind trust set up when he took the Treasury post. He reported income of at least \$715,000 in 1981.

■ Baldrige received between \$198,800 and \$270,000 from outside the government last year, including \$108,813 in pension payments from Scovill Inc., the Connecticut firm he headed before joining the government. He listed income of at least \$1.6 million in 1981.

■ Donovan listed outside income of at least \$130,000 in 1982, compared with \$562,874 in 1981. He listed assets of \$483,000 to \$2.45 million.

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WASHINGTON POST
1 JUNE 1983

CIA Targeted Suriname, ABC Reports

United Press International

President Reagan authorized covert CIA actions aimed at overthrowing the government of Suriname last year but backed off because of strong congressional opposition, ABC News reported last night.

ABC said the rationale of Reagan and the CIA was that Desi Bouterse, military leader of the South American state, was moving toward close alliance with Cuba.

White House spokesman Anson Franklin said last night, "It is the administration's policy not to comment on any reports of covert activities."

Rep. Edward P. Boland (D-Mass.), chairman of the House Permanent Select Committee on Intelligence, said, "I don't discuss any matters of that committee."

ABC reported that CIA Director William J. Casey, as required by law, informed Boland's panel and the Senate Select Committee on Intelligence of the plan to create a paramilitary force of exiles from Suriname.

In the face of overwhelming bipartisan opposition, the administration reportedly reconsidered. Several weeks after Casey's appearance on Capitol Hill, he told the committees that the plan was being withdrawn, ABC said.

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Approved For Release 2005/11/28 : CIA-RDP91-00901R000400080001-8

1 June 1983

Reagan OK'd bid to oust Surinam chief, ABC says

Washington (AP) — President Reagan last December authorized the Central Intelligence Agency to try to overthrow the government of Surinam in secret, but the administration dropped the idea after objections from Congress, ABC News said last night.

CIA spokesman Dale Peterson said: "We can't comment on these kinds of allegations."

According to the report prepared for the "Nightline" program, a transcript of which was released in advance, CIA Director William J. Casey told the House and Senate intelligence committees that Surinam's ruler, Desi Bouterse, was leading the country into the Cuban orbit.

The CIA plan reportedly called for the formation of a paramilitary force of Surinamese exiles to topple the Bouterse government.

But committee members of both parties objected that there was no evidence that Cuba was "manipulating the government in Surinam, or gaining a military foothold in the country," the network said.

After the Senate committee weighed in with objections, Mr. Casey dropped the plan, it was reported.

Mr. Bouterse, who as a lieutenant colonel commanded Surinam's army, took power in a coup in February,



United Press International

DESI BOUTERSE
... Surinam's military leader

1982. Last fall, as opposition mounted, he rounded up dissident leaders, including journalists and labor leaders. Fifteen were shot to death, according to the government account, while trying to escape.

After that, the Dutch and U.S. governments suspended aid to Surinam, a Dutch colony until 1975.

More than 1,000 people reportedly have fled the tiny country on the northern coast of South America.

NEW YORK TIMES NEWS SERVICE
1 June 1983

SURINAME

U.S. DROPS PLAN TO OVERTHROW GOVERNMENT OF SURINAM
BY PHILIP TAUBMAN

WASHINGTON - THE REAGAN ADMINISTRATION DROPPED A PLAN THIS YEAR TO OVERTHROW THE GOVERNMENT OF SURINAME; THE FORMER DUTCH COLONY IN SOUTH AMERICA; AFTER CONGRESSIONAL COMMITTEES OBJECTED; ADMINISTRATION OFFICIALS SAID TUESDAY.

THE PLAN, ACCORDING TO THE OFFICIALS, CALLED FOR THE FORMATION OF A SMALL PARAMILITARY FORCE COMPOSED MAINLY OF SURINAMESE EXILES OPPOSED TO THE AUTHORITARIAN GOVERNMENT OF LT. COL. DESI BOUTERSE. THE FORCE WAS SUPPOSED TO INFILTRATE THE CAPITAL, PARAMARIBO, AND OUST THE GOVERNMENT; THE OFFICIALS SAID.

BOUTERSE, WHO SEIZED POWER IN A MILITARY COUP IN 1980, IS VIEWED BY REAGAN ADMINISTRATION OFFICIALS AS AN UNPREDICTABLE LEADER WITH PRO-COMMUNIST SYMPATHIES. LAST DECEMBER HIS REGIME ROUNDED UP 15 LEADING OPPONENTS, INCLUDING PROMINENT CITIZENS, AND HAD THEM SUMMARILY EXECUTED, ACCORDING TO THE ADMINISTRATION.

WHETHER THE PLAN TO OVERTHROW BOUTERSE CALLED FOR HIS ARREST OR DEPORTATION OR OTHER ACTION AGAINST HIM WAS UNCLEAR. THE ASSASSINATION OF FOREIGN LEADERS, FORMALLY PROHIBITED BY PRESIDENT FORD, WAS ALSO BARRED BY PRESIDENT REAGAN IN AN EXECUTIVE ORDER ON INTELLIGENCE ACTIVITIES HE ISSUED IN 1981.

THE PLAN WAS SPONSORED BY THE CENTRAL INTELLIGENCE AGENCY, ACCORDING TO HOUSE INTELLIGENCE COMMITTEE MEMBERS. THE PURPOSE WAS TO OVERTHROW COLONEL BOUTERSE. THE CIA WAS REPORTED TO HAVE TOLD CONGRESSIONAL COMMITTEES THAT HIS OUSTER WOULD ELIMINATE THE POSSIBILITY THAT THE SOVIET UNION AND CUBA WOULD TRY TO USE SURINAME AS A BASE FROM WHICH TO EXPAND THEIR INFLUENCE IN SOUTH AMERICA.

SEVERAL MEMBERS OF THE HOUSE AND SENATE INTELLIGENCE COMMITTEES SAID TUESDAY THAT THEY HAD OBJECTED BECAUSE THEY FELT THE ADMINISTRATION HAD NOT DEMONSTRATED THAT SURINAME POSED A THREAT TO UNITED STATES INTERESTS. SURINAME, ON THE NORTH COAST OF SOUTH AMERICA, IS BORDERED BY FRENCH GUIANA, BRAZIL AND GUYANA, A FORMER BRITISH COLONY.

WHILE NOT OPPOSED IN PRINCIPLE TO THE IDEA OF ATTEMPTING TO OVERTHROWING A FOREIGN GOVERNMENT, COMMITTEE MEMBERS SAID THEY HAD CRITICIZED THE CIA FOR ADVOCATING WHAT ONE HOUSE MEMBER CALLED "THE MOST EXTREME MEASURE" BEFORE LESS SEVERE METHODS WERE USED TO TRY TO STEER SURINAME AWAY FROM SOVIET AND CUBAN INFLUENCE.

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CIA Chief's Stock Trades Were Heavy During 1982

WASHINGTON (AP)—The director of the Central Intelligence Agency, William J. Casey, bought and sold several million dollars of securities in 1982, according to his financial disclosure form released yesterday.

Mr. Casey bought stock valued at \$1.9 million to \$4.5 million, according to the report, and sold stock with a value of at least \$1 million and possibly more than \$2.1 million. The form indicated that the CIA director apparently financed some purchases by selling Treasury bills.

Exact amounts for his investments were impossible to determine because government disclosure forms list values within broad ranges.

Unlike his two CIA predecessors and other top Reagan administration officials, Mr. Casey didn't put his extensive stock portfolio into a blind trust or sell any stock as a condition of employment.

Following release of last year's disclosure form, which showed Mr. Casey selling more than \$600,000 in oil stocks as a glut developed in world markets, the CIA established a "screening arrangement." The arrangement permits Mr. Casey to continue buying and selling stock but requires that Deputy CIA Director John McMahon and other senior CIA officials regularly review Mr. Casey's stock transactions for possible conflicts of interest.

The report shows that Mr. Casey dropped most of his remaining holdings in the oil industry last year. Many of his purchases were in computer, electronic and drug-manufacturing concerns, restaurant and hotel chains and airlines.

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WHO'S WHO in the Administration

No one may ever again attain the mastery over White House perks and status badges that **Bill Gulley** demonstrated during his long reign as director of the White House Military Office under Presidents Johnson, Nixon, and Ford. But Gulley's counterpart in the Reagan administration, presidential assistant **Edward V. Hickey Jr.**, appears to be upholding the legacy. If you want a beeper, a White House phone in your home, a TV in your office, or a car or plane to dispatch you to your destination, word in the White House is that you first have to clear it with Ed. . . .

Behind the enmity within the Reagan administration for the **James Baker/David Gergen/Richard Darman** faction lies a lot more than jealousy and personality

differences. For all their considerable talents, these men are viewed by ideological conservatives as part of the "survive tomorrow" side of Washington, motivated not by the hope that the right cause will prevail, but by a desire to wake up the next morning with one's power undiminished. Anyone who's worked in government for idealistic reasons knows that nothing grates on a true believer more than members of the "survive tomorrow" crowd, who often come to be perceived as the worst enemies of all. . . .

Around the halls of the CIA, director **William Casey** is famed for his frequently unintelligible pronouncements. Indeed, Casey is referred to as the first CIA chief who acts as his own scrambler. . . .